# VICOR CORP (VICR)

## 10-Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 10/28/2011
Filed Period 09/30/2011

THOMSON REUTERS ACCELUS™

THOMSON REUTERS

Table of Contents

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, DC 20549**

# FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2011**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from _____**

**Commission File Number 0-18277**

# VICOR CORPORATION

(Exact name of registrant as specified in its charter)

| Delaware<br>(State of Incorporation) | 04-2742817<br>(I.R.S. Employer Identification No.) |
|---|---|

25 Frontage Road, Andover, Massachusetts 01810

(Address of Principal Executive Office)

(978) 470-2900

(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on it corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The number of shares outstanding of each of the issuer's classes of common stock as of September 30, 2011 was:

| | |
|---|---|
| Common Stock, $.01 par value | 30,043,077 |
| Class B Common Stock, $.01 par value | 11,767,052 |

VICOR CORPORATION

INDEX TO FORM 10-Q


| | Page |
|---|---|
| **Part I — Financial Information:** | |
| **Item 1 — Financial Statements (Unaudited)** | |
| **Condensed Consolidated Balance Sheets at September 30, 2011 and December 31, 2010** | 1 |
| **Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011 and 2010** | 2 |
| **Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010** | 3 |
| **Notes to Condensed Consolidated Financial Statements** | 4 |
| **Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations** | 16 |
| **Item 3 — Quantitative and Qualitative Disclosures About Market Risk** | 26 |
| **Item 4 — Controls and Procedures** | 26 |
| **Part II — Other Information:** | |
| **Item 1 — Legal Proceedings** | 28 |
| **Item 1A — Risk Factors** | 28 |
| **Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds** | 28 |
| **Item 6 — Exhibits** | 28 |
| **Signature(s)** | 29 |
| **EX-31.1** | |
| **EX-31.2** | |
| **EX-32.1** | |
| **EX-32.2** | |
| **EX-101 INSTANCE DOCUMENT** | |
| **EX-101 SCHEMA DOCUMENT** | |
| **EX-101 CALCULATION LINKBASE DOCUMENT** | |
| **EX-101 LABELS LINKBASE DOCUMENT** | |
| **EX-101 PRESENTATION LINKBASE DOCUMENT** | |
| **EX-101 DEFINITION LINKBASE DOCUMENT** | |

Table of Contents

VICOR CORPORATION

Condensed Consolidated Balance Sheets

(In thousands)

(Unaudited)

Item 1. Financial Statements

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 66,889 | $ 49,279 |
| Accounts receivable, less allowance of $325 in 2011 and $309 in 2010 | 31,963 | 38,825 |
| Inventories, net | 36,461 | 35,489 |
| Deferred tax assets | 2,343 | 2,164 |
| Other current assets | 3,034 | 2,397 |
| Total current assets | 140,690 | 128,154 |
| Long-term investments, net | 11,613 | 18,417 |
| Property, plant and equipment, net | 48,857 | 50,848 |
| Long-term deferred tax assets, net | 2,320 | 2,805 |
| Other assets | 4,504 | 4,688 |
| | $ 207,984 | $ 204,912 |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accounts payable | $ 8,732 | $ 11,999 |
| Accrued compensation and benefits | 8,354 | 6,772 |
| Accrued expenses | 2,606 | 3,138 |
| Income taxes payable | 317 | 102 |
| Deferred revenue | 760 | 689 |
| Total current liabilities | 20,769 | 22,700 |
| Long-term deferred revenue | 2,268 | 2,178 |
| Long-term income taxes payable | 1,076 | 1,022 |
| Commitments and contingencies (Note 11) | — | — |
| Equity: | | |
| Vicor Corporation stockholders' equity: | | |
| Class B Common Stock | 118 | 118 |
| Common Stock | 386 | 385 |
| Additional paid-in capital | 165,499 | 163,933 |
| Retained earnings | 135,685 | 133,791 |
| Accumulated other comprehensive loss | (362) | (1,369) |
| Treasury stock, at cost | (121,827) | (121,827) |
| Total Vicor Corporation stockholders' equity | 179,499 | 175,031 |
| Noncontrolling interest | 4,372 | 3,981 |
| Total equity | 183,871 | 179,012 |
| | $ 207,984 | $ 204,912 |

See accompanying notes.

VICOR CORPORATION

Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net revenues | $ 58,560 | $ 68,672 | $ 194,417 | $ 177,758 |
| Cost of revenues | 34,120 | 36,199 | 112,214 | 96,222 |
| Gross margin | 24,440 | 32,473 | 82,203 | 81,536 |
| Operating expenses: | | | | |
| Selling, general and administrative | 13,072 | 12,166 | 40,274 | 36,107 |
| Research and development | 9,694 | 8,925 | 29,451 | 26,830 |
| Total operating expenses | 22,766 | 21,091 | 69,725 | 62,937 |
| Income from operations | 1,674 | 11,382 | 12,478 | 18,599 |
| Other income, net: | | | | |
| Total other than temporary impairment losses on available-for-sale securities, net of settlement gains | (125) | 407 | 1,169 | 112 |
| Portion of loss (gain) recognized in other comprehensive income | 53 | (476) | (874) | (223) |
| Net impairment (losses) gains recognized in earnings | (72) | (69) | 295 | (111) |
| Other income, net: | 72 | 156 | 53 | 690 |
| Total other income, net | — | 87 | 348 | 579 |
| Income before income taxes | 1,674 | 11,469 | 12,826 | 19,178 |
| Provision (benefit) for income taxes | 499 | (4,400) | 4,278 | (3,443) |
| Consolidated net income | 1,175 | 15,869 | 8,548 | 22,621 |
| Less: Net income attributable to noncontrolling interest | 93 | 50 | 382 | 103 |
| Net income attributable to Vicor Corporation | $ 1,082 | $ 15,819 | $ 8,166 | $ 22,518 |
| | | | | |
| Net income per common share attributable to Vicor Corporation: | | | | |
| Basic | $ 0.03 | $ 0.38 | $ 0.20 | $ 0.54 |
| Diluted | $ 0.03 | $ 0.38 | $ 0.20 | $ 0.54 |
| Shares used to compute net income per share attributable to Vicor Corporation: | | | | |
| Basic | 41,810 | 41,693 | 41,793 | 41,682 |
| Diluted | 41,851 | 41,774 | 41,865 | 41,742 |
| | | | | |
| Cash dividends per share | $ 0.15 | $ 0.30 | $ 0.15 | $ 0.30 |

See accompanying notes.

VICOR CORPORATION

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2011 | 2010 |
| Operating activities: | | |
| Consolidated net income | $ 8,548 | $ 22,621 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 8,214 | 7,552 |
| Stock compensation expense | 1,444 | 458 |
| Deferred income taxes | 124 | (5,115) |
| Increase in long-term deferred revenue | 386 | 95 |
| Excess tax benefit of share-based compensation | (44) | — |
| Credit (gain) loss on available for sale securities | (295) | 111 |
| Gain on disposal of equipment | (31) | (249) |
| Unrealized gain on trading securities | — | (970) |
| Unrealized loss on auction rate security rights | — | 962 |
| Change in current assets and liabilities, net | 3,308 | (14,476) |
| Net cash provided by operating activities | 21,654 | 10,989 |
| Investing activities: | | |
| Purchases of investments | (603) | (808) |
| Sales and maturities of investments | 8,576 | 15,484 |
| Additions to property, plant and equipment | (6,251) | (7,741) |
| Proceeds from sale of equipment | 10 | 421 |
| Change in restricted cash | — | 415 |
| (Increase) decrease in other assets | (43) | 148 |
| Net cash provided by investing activities | 1,689 | 7,919 |
| Financing activities: | | |
| Proceeds from exercise of stock options | 446 | 296 |
| Excess tax benefit of share-based compensation | 44 | — |
| Noncontrolling interest dividends paid | — | (297) |
| Common stock dividends paid | (6,272) | (12,506) |
| Net cash used in financing activities | (5,782) | (12,507) |
| Effect of foreign exchange rates on cash | 49 | 124 |
| Net increase in cash and cash equivalents | 17,610 | 6,525 |
| Cash and cash equivalents at beginning of period | 49,279 | 40,224 |
| Cash and cash equivalents at end of period | $ 66,889 | $ 46,749 |

See accompanying notes.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements

September 30, 2011

(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Vicor Corporation (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these interim financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2011, are not necessarily indicative of the results that may be expected for any other interim period or the year ending December 31, 2011. The balance sheet at December 31, 2010, presented herein has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, (File No. 0-18277) filed by the Company with the Securities and Exchange Commission.

2. Short-Term and Long-Term Investments

The Company's principal sources of liquidity are its existing balances of cash and cash equivalents and short-term investments, as well as cash generated from operations. Consistent with the Company's investment policy guidelines, the Company can invest, and has historically invested, its cash balances in demand deposit accounts, money market funds and auction rate securities meeting certain quality criteria. All of the Company's investments are subject to credit, liquidity, market, and interest rate risk.

The Company's long-term investments are classified as available-for-sale. Available-for-sale securities are recorded at fair value, with unrealized gains and losses, net of tax, attributable to credit loss recorded through the statement of operations and unrealized gains and losses, net of tax, attributable to other non-credit factors recorded in "Accumulated other comprehensive loss", a component of Stockholders' Equity. In determining the amount of credit loss, the Company compared the present value of cash flows expected to be collected to the amortized cost basis of the securities, considering, among other factors, credit default risk probabilities and changes in credit ratings as significant inputs.

The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity, the net amount of which, along with interest and realized gains and losses, is included in "Other income, net" in the Condensed Consolidated Statements of Operations. The Company periodically evaluates investments to determine if impairment is required, whether an impairment is other than temporary, and the measurement of an impairment loss. The Company considers a variety of impairment indicators such as, but not limited to, a significant deterioration in the earnings performance, credit rating, or asset quality of the investment.

As of September 30, 2011, the Company held par value of $11,175,000 of auction rate securities. These auction rate securities consist of collateralized debt obligations, supported by pools of student loans, sponsored by state student loan agencies and corporate student loan servicing firms. The interest rates for these securities are reset at auction at regular intervals ranging from seven to 28 days. The auction rate securities held by the Company traded at par prior to February 2008 and are callable at par at the option of the issuer.

Until February 2008, the auction rate securities market was liquid, as the investment banks conducting the periodic "Dutch auctions" by which interest rates for the securities had been established had committed their capital to support such auctions in the event of insufficient third-party investor demand. Starting the week of February 11, 2008, a substantial number of auctions failed, as demand from third-party investors weakened and the investment banks conducting the auctions chose not to commit capital to support such auctions (i.e., investment banks chose not to purchase securities themselves in order to balance supply and demand, thereby facilitating a successful auction, as they had done in the past). The consequences of a failed auction are (a) an investor must hold the specific security until the next scheduled auction (unless that investor chooses to sell the security to a third party

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements

September 30, 2011

(unaudited)

outside of the auction process) and (b) the interest rate on the security generally resets to an interest rate set forth in each security's indenture.

As of September 30, 2011, the Company held auction rate securities that had experienced failed auctions totaling $11,175,000 at par value, all of which had been purchased through and are held by a broker-dealer affiliate of Bank of America, N.A. (the "Failed Auction Securities"). As of September 30, 2011, the majority of the Failed Auction Securities held by the Company were AAA/Aaa rated by the major credit rating agencies, with all of the securities collateralized by student loans, all of which are guaranteed by the U.S. Department of Education under the Federal Family Education Loan Program. Management is not aware of any reason to believe any of the issuers of the Failed Auction Securities held by the Company are presently at risk of default. Through September 30, 2011, the Company has continued to receive interest payments on the Failed Auction Securities in accordance with the terms of their respective indentures. In October 2011, one of the Failed Auction Securities outstanding as of September 30, 2011 with a par value of $2,075,000 was redeemed at par. Management believes the Company ultimately should be able to liquidate all of its Failed Auction Securities without significant loss primarily due to the overall quality of the issues held and the collateral securing the underlying obligations. However, current conditions in the auction rate securities market have led management to conclude the recovery period for the Failed Auction Securities exceeds 12 months. As a result, the Company continued to classify the Failed Auction Securities as long-term as of September 30, 2011.

The following is a summary of available-for-sale securities (in thousands):

| September 30, 2011 | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| Failed Auction Securities | $ 11,175 | $ — | $ 1,669 | $ 9,506 |
| Brokered certificates of deposit | 1,640 | 12 | — | 1,652 |
| Certificates of deposit | 455 | — | — | 455 |
| | $ 13,270 | $ 12 | $ 1,669 | $ 11,613 |

| December 31, 2010 | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| Failed Auction Securities | $ 19,075 | $ — | $ 2,856 | $ 16,219 |
| Brokered certificates of deposits | 1,720 | 30 | — | 1,750 |
| Certificates of deposit | 448 | — | — | 448 |
| | $ 21,243 | $ 30 | $ 2,856 | $ 18,417 |

All of the Failed Auction Securities as of September 30, 2011, have been in an unrealized loss position for greater than 12 months.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements

September 30, 2011

(unaudited)

The amortized cost and estimated fair value of available-for-sale securities on September 30, 2011, by contractual maturities, are shown below (in thousands):

| | Cost | Estimated Fair Value |
|---|---|---|
| Due in one year or less | $ 942 | $ 947 |
| Due in two to ten years | 1,063 | 1,070 |
| Due in ten to twenty years | 90 | 90 |
| Due in twenty to forty years | 11,175 | 9,506 |
| | $ 13,270 | $ 11,613 |

Based on the fair value measurements described in Note 3, the fair value of the Failed Auction Securities on September 30, 2011, with a par value of $11,175,000, was estimated by the Company to be approximately $9,506,000, an increase in fair value of $1,187,000, net of $7,900,000 of redemptions from December 31, 2010. The gross unrealized loss of $1,669,000 on the Failed Auction Securities consists of two types of estimated loss: an aggregate credit loss of $315,000 and an aggregate temporary impairment of $1,354,000. For the nine months ended September 30, 2011, the aggregate credit loss on the Failed Auction Securities decreased by a net amount of $295,000, which was recorded in "Net impairment (losses) gains recognized in earnings" in the Condensed Consolidated Statement of Operations. In determining the amount of credit loss, the Company compared the present value of cash flows expected to be collected to the amortized cost basis of the securities, considering credit default risk probabilities and changes in credit ratings as significant inputs, among other factors (See Note 3).

The following table represents a roll forward of the activity related to the credit loss recognized in earnings on available-for-sale auction rate securities held by the Company for the nine months ended September 30, 2011 (in thousands):

| | |
|---|---|
| Balance at the beginning of the period | $ 610 |
| Reductions for securities sold during the period | (366) |
| Additions for the amount related to credit loss for which other-than-temporary impairment was not previously recognized | 71 |
| Balance at the end of the period | $ 315 |

For the third quarter of 2011, the Company increased the temporary impairment recorded in "Accumulated other comprehensive loss" in the Condensed Consolidated Balance Sheet by $48,000, to reflect a decrease in the estimated fair value of the Failed Auction Securities.

At this time, the Company has no intent to sell any of the impaired Failed Auction Securities and does not believe it is more likely than not the Company will be required to sell any of these securities. Management expects the securities to regain liquidity as the financial markets recover from the current economic downturn. If current market conditions deteriorate further, the Company may be required to record additional unrealized losses. If the credit rating of the security deteriorates, or the anticipated recovery in the market values does not occur, the Company may be required to adjust the carrying value of these investments through impairment charges recorded in the Condensed Consolidated Statement of Operations, and any such impairment adjustments may be material.

Based on the Company's ability to access cash and cash equivalents and its expected operating cash flows, management does not anticipate the current lack of liquidity associated with the Failed Auction Securities held will affect the Company's ability to execute its current operating plan.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements

September 30, 2011

(unaudited)

3. Fair Value Measurements

The Company accounts for certain financial assets at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions market participants would use in pricing an asset or liability. A three-level hierarchy is used to show the extent and level of judgment used to estimate fair value measurements.

The Company uses the fair value option for certain financial assets, which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for specified financial assets and liabilities on a case-by-case basis.

Assets measured at fair value on a recurring basis include the following as of September 30, 2011 (in thousands):

| | Using | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value as of September 30, 2011 |
| Cash Equivalents: | | | | |
| Money market funds | $ 13,656 | $ — | $ — | $ 13,656 |
| Long term investments: | | | | |
| Failed Auction Securities | — | — | 9,506 | 9,506 |
| Brokered certificates of deposit | | 1,652 | — | 1,652 |
| Certificate of deposit | 455 | — | — | 455 |

The Company has brokered certificates of deposit classified as Level 2 because the fair value for these investments has been determined utilizing observable inputs from non-active markets. The fair values fluctuate with changes in market interest rates obtained from information available in publicly quoted markets.

As of September 30, 2011, there was insufficient observable auction rate security market information available to determine the fair value of the Failed Auction Securities using Level 1 or Level 2 inputs. As such, the Company's investments in Failed Auction Securities were deemed to require valuation using Level 3 inputs. Management, after consulting with advisors, valued the Failed Auction Securities using analyses and pricing models similar to those used by market participants (i.e., buyers, sellers, and the broker-dealers responsible for execution of the Dutch auction pricing mechanism by which each issue's interest rate was set). Management utilized a probability weighted discounted cash flow ("DCF") model to determine the estimated fair value of these securities as of September 30, 2011. The major assumptions used in preparing the DCF model included: estimates for the amount and timing of future interest and principal payments based on default probability assumptions used to measure the credit loss of 2.8%; the rate of return required by investors to own these securities in the current environment, which management estimates to be 5.0% above the risk free rate of return; and an estimated timeframe of three to five years for successful auctions for these securities to occur. In making these assumptions, management considered relevant factors including: the formula applicable to each security defining the interest rate paid to investors in the event of a failed auction (the "Penalty Rate"); forward projections of the interest rate benchmarks specified in such formulas; the likely timing of principal repayments; the probability of full repayment considering the guarantees by the U.S. Department of Education of the underlying student loans, guarantees by other third parties, and additional credit enhancements provided through other means; and publicly available pricing data for recently issued student loan asset-backed securities not subject to auctions. In developing its estimate of the rate of return required by investors to own these securities, management compared the Penalty Rates of the Failed Auction Securities with yields of actively traded long-term bonds with similar characteristics and, reflecting the limited liquidity for auction rate securities and the discounts to par value seen in recent tender offers by issuers and arms' length market transactions between informed buyers and sellers, estimated the implied

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements

September 30, 2011

(unaudited)

yield (i.e., the discount to par value) necessary to complete a sale of the Failed Auction Securities. Management has calculated an increase or decrease in the liquidity risk premium of 5.0% referenced above of 1.0% (i.e., 100 basis points) as used in the model, would decrease or increase, respectively, the fair value of the Failed Auction Securities by approximately $400,000.

The following table summarizes the change in the estimated fair values calculated for those assets valued on a recurring basis utilizing Level 3 inputs (i.e., the Failed Auction Securities) for the nine months ended September 30, 2011 (in thousands):

| | |
|---|---|
| Balance at the beginning of the period | $ 16,219 |
| Redemptions, at par | (7,900) |
| Credit gains on available for sales securities included in Other income, net | 295 |
| Unrealized gain included in Other comprehensive loss | 892 |
| Balance at the end of the period | $ 9,506 |

4.Stock Based Compensation

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock option awards as of their grant date. Stock-based compensation expense for the three and nine months ended September 30 was as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Cost of revenues | $ 16 | $ 6 | $ 51 | $ 12 |
| Selling, general and administrative | 362 | 120 | 887 | 326 |
| Research and development | 227 | 34 | 506 | 120 |
| Total stock based compensation | $ 605 | $ 160 | $ 1,444 | $ 458 |

During the third quarter of 2011, the Picor Board of Directors (the "Picor Board") authorized different alternatives of net settlement to holders of Picor stock options in the tenth and final year of their respective terms. In addition, the Picor Board approved an offer to repurchase up to 1,142,000 shares of Picor Common Stock from a limited number of holders who purchase these shares via exercise before October 31, 2011. As a result, the Company accrued $368,000 as of September 30, 2011, representing the maximum repurchase obligation to these holders assuming all holders sold their shares. This resulted in additional stock-based compensation expense of $169,000 and $132,000 to Selling, general and administrative and Research and development, respectively, along with a charge of $67,000 against Additional paid-in-capital, in the third quarter of 2011. During the fourth quarter of 2011, the Company will account for those options for which repurchase was not elected by the holder.

During the third quarter of 2010, the Company granted 1,243,750 non-qualified stock options under the Vicor Corporation Amended and Restated 2000 Stock Option and Incentive Plan (the "2000 Plan"), with performance-based vesting provisions tied to achievement of certain quarterly revenue targets by the Brick Business Unit. Under the accounting rules for performance-based awards, the Company is required to assess, on an ongoing basis, the probability of whether the performance criteria will be achieved. If and when achievement is deemed probable, the Company will begin to recognize the associated compensation expense for the stock options over the relevant performance period. As of September 30, 2011, the Company determined that it was not probable the revenue targets could be achieved and, accordingly, has not recorded any compensation expense relating to these options since the grant date. The unrecognized compensation expense of these performance-based options was approximately $7,790,000 as of September 30, 2011.

On December 31, 2010, the Company granted 2,984,250 non-qualified stock options under the 2007 V*I Chip Plan with performance-based vesting provisions tied to achievement of certain margin targets by the V*I Chip subsidiary. As of December 31, 2010, the Company determined it was probable the margin targets could be achieved and, accordingly, began recording compensation expense relating to these options beginning January 1, 2011. The unrecognized compensation expense of these performance-based options was approximately $1,266,000 as of September 30, 2011.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements

September 30, 2011

(unaudited)

5. Net Income per Share

The following table sets forth the computation of basic and diluted income per share for the three and nine months ended September 30 (in thousands, except per share amounts):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Numerator: | | | | |
| Net income attributable to Vicor Corporation | $ 1,082 | $ 15,819 | $ 8,166 | $ 22,518 |
| Denominator: | | | | |
| Denominator for basic income per share-weighted average shares (1) | 41,810 | 41,693 | 41,793 | 41,682 |
| Effect of dilutive securities: | | | | |
| Employee stock options (2) | 41 | 81 | 72 | 60 |
| Denominator for diluted income per share-adjusted weighted-average shares and assumed conversions | 41,851 | 41,774 | 41,865 | 41,742 |
| Basic income per share | $ 0.03 | $ 0.38 | $ 0.20 | $ 0.54 |
| Diluted income per share | $ 0.03 | $ 0.38 | $ 0.20 | $ 0.54 |

(1) Denominator represents weighted average number of Common Shares and Class B Common Shares outstanding.

(2) Options to purchase 366,833 and 292,834 shares of Common Stock for the three months ended September 30, 2011 and 2010, respectively, and options to purchase 259,047 and 407,897 shares of Common Stock for the nine months ended September 30, 2011 and 2010, respectively, were not included in the computation of diluted income per share because the options' exercise prices were greater than the average market price of the Common Stock and, therefore, the effect would be antidilutive. During the third quarter of 2010, the Company granted 1,243,750 stock options that will vest upon certain performance conditions (See Note 4). The Company did not meet the performance conditions as of September 30, 2011, and therefore, the options were excluded from the calculation of diluted income per share.

6. Inventories

Inventories are valued at the lower of cost (determined using the first-in, first-out method) or net realizable value. Fixed production overhead is allocated to the inventory cost per unit based on the normal capacity of the production facilities. Abnormal production costs, including fixed cost variances from normal production capacity, if any, are charged to cost of revenues in the period incurred. All shipping and handling costs incurred in connection with the sale of products are included in cost of revenues.

The Company provides reserves for inventories estimated to be excess, obsolete or unmarketable. The Company's estimation process for assessing net realizable value is based upon its known backlog, projected future demand and expected market conditions. If the Company's estimated demand and / or market expectation were to change or if product sales were to decline, the Company's estimation process may cause larger inventory reserves to be recorded, resulting in larger charges to cost of revenues.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements

September 30, 2011

(unaudited)

Inventories were as follows (in thousands):

| | September 30, 2011 | December 31, 2010 |
|---|---|---|
| Raw materials | $ 33,183 | $ 31,750 |
| Work-in-process | 4,097 | 4,182 |
| Finished goods | 5,742 | 5,001 |
| | 43,022 | 40,933 |
| Inventory reserves | (6,561) | (5,444) |
| Net balance | $ 36,461 | $ 35,489 |

7. Other Investments

The Company's gross investment in non-voting convertible preferred stock of Great Wall Semiconductor Corporation ("GWS") totaled $5,000,000 as of September 30, 2011, and December 31, 2010, giving the Company an approximately 30% ownership interest in GWS. GWS and its subsidiary design and sell semiconductors, conduct research and development activities, develop and license patents, and litigate against those who infringe upon patented technology. A director of the Company is the founder, Chairman of the Board, President and Chief Executive Officer ("CEO"), as well as the majority voting shareholder, of GWS. The Company and GWS are parties to an intellectual property cross-licensing agreement, a license agreement and two supply agreements under which the Company purchases certain components from GWS. Purchases from GWS totaled approximately $3,980,000 and $2,448,000 for the nine months ended September 30, 2011, and 2010, respectively.

The Company accounts for its investment in GWS under the equity method of accounting. The Company has determined that, while GWS is a variable interest entity, the Company is not the primary beneficiary. The key factors in the Company's assessment were that the CEO of GWS has: (i) the power to direct the activities of GWS that most significantly impact its economic performance, and (ii) has an obligation to absorb losses or the right to receive benefits from GWS, respectively, that could potentially be significant to GWS.

There was no allocation of equity method income (loss) for the nine months ended September 30, 2011 and 2010, as GWS incurred a net loss in each period. The balance in the Company's investment in GWS was zero as of September 30, 2011, and December 31, 2010.

8. Product Warranties

The Company generally offers a two-year warranty for all of its products. The Company provides for the estimated cost of product warranties at the time product revenue is recognized. Factors that affect the Company's warranty reserves include the number of units sold, historical and anticipated rates of warranty returns, and the cost per return. The Company periodically assesses the adequacy of the warranty reserves and adjusts the amounts as necessary. Warranty obligations are included in "Accrued expenses" in the accompanying Condensed Consolidated Balance Sheets.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements

September 30, 2011

(unaudited)

Product warranty activity for the three and nine months ended September 30, was as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Balance at the beginning of the period | $ 1,299 | $ 1,038 | $ 649 | $ 772 |
| Accruals for warranties for products sold in the period | 282 | 47 | 1,316 | 465 |
| Fulfillment of warranty obligations | (616) | (365) | (1,025) | (382) |
| Revisions of estimated obligations | (369) | (13) | (344) | (148) |
| Balance at the end of the period | $ 596 | $ 707 | $ 596 | $ 707 |

9. Income Taxes

In 2011 and 2010, the tax provision is based on the estimated annual effective tax rate for the year, which includes estimated federal, state and foreign income taxes on the Company's projected annual pre-tax income and estimated federal and state income taxes for certain noncontrolling interest subsidiaries that are not part of the Company's consolidated income tax returns, offset in 2010 by the expected utilization of federal and foreign net operating loss carryforwards. The 2011 and 2010 tax provisions also include discrete items, principally expense for increases in state taxes and accrued interest for potential liabilities.

The provision for income taxes and the effective income tax rate for the three and nine months ended September 30, were as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Provision for income taxes | $ 499 | $ (4,400) | $ 4,278 | $ (3,443) |
| Effective income tax rate | 29.8% | (38.4%) | 33.4% | (18.0%) |

For the three and nine months ended September 30, 2011 compared to 2010, the provision for income taxes and the effective income tax rate increased due to the complete utilization of remaining federal, foreign and a significant portion of remaining state net operating loss carryforwards through the end of 2010, which lowered the income tax provision in 2010. During the third quarter of 2010, the Company recorded a non-recurring, non-cash tax benefit of $5,158,000 due to releasing a portion of its deferred tax valuation allowance.

As of September 30, 2011, the Company had a remaining valuation allowance of approximately $9,800,000 against certain deferred tax assets, for which realization cannot be considered more likely than not at this time. Such deferred tax assets principally relate to tax credit carryforwards in certain state tax jurisdictions for which sufficient taxable income for utilization cannot be projected at this time or the credits may expire without being utilized. Management assesses the need for the valuation allowance on a quarterly basis. If and when management determines the valuation allowance should be released, the adjustment would result in a tax benefit in the Consolidated Statements of Operations and may include a portion to be accounted for through "Additional paid-in capital", a component of Stockholders' Equity. The amount of the tax benefit to be recorded in a particular quarter could be material.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements

September 30, 2011

(unaudited)

In January 2010, the Company received notice from the Commonwealth of Massachusetts that its Massachusetts corporate excise tax returns, for tax years 2006 and 2007 had been selected for audit. The Massachusetts audit was completed and settled in the second quarter of 2011 for an immaterial amount. There are no other income tax audits currently in process.

10. Comprehensive Income (Loss)

The following table sets forth the computation of "Comprehensive income (loss)" for the three and nine months ended September 30, (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Consolidated net income | $ 1,175 | $ 15,869 | $ 8,548 | $ 22,621 |
| Foreign currency translation gains | 141 | 149 | 141 | 317 |
| Unrealized (losses) gains (net of tax) on available-for-sale securities | (53) | 477 | 875 | 223 |
| Comprehensive income | 1,263 | 16,495 | 9,564 | 23,161 |
| Less: comprehensive income attributable to noncontrolling interest | 106 | 65 | 391 | 135 |
| Comprehensive income attributable to Vicor Corporation | $ 1,157 | $ 16,430 | $ 9,173 | $ 23,026 |

11. Commitments and Contingencies

At September 30, 2011, the Company had approximately $416,000 of capital expenditure commitments.

On February 22, 2007, the Company announced it had reached an agreement in principle with Ericsson, Inc., the U.S. affiliate of LM Ericsson, to settle a lawsuit brought by Ericsson against the Company in California state court. Under the terms of the settlement agreement entered into on March 29, 2007, after a court ordered mediation, the Company paid $50,000,000 to Ericsson, of which $12,800,000 was reimbursed by the Company's insurance carriers. Accordingly, the Company recorded a net loss of $37,200,000 from the litigation — related settlements in the fourth quarter of 2006. The Company has been seeking further reimbursement from its insurance carriers. On November 14, 2008, a jury in the United States District Court for the District of Massachusetts found in favor of the Company in a lawsuit against certain of its insurance carriers with respect to the Ericsson settlement. The jury awarded $17,300,000 in damages to the Company, although the verdict is subject to challenge in the trial court and on appeal. Both parties filed certain motions subsequent to the ruling and, on March 2, 2009, the judge in the case rendered his decision on the subsequent motions, reducing the jury award by $4,000,000. On March 26, 2009, the U.S. District Court, District of Massachusetts ("the Court") issued its judgment in the matter, affirming the award of $13,300,000, plus prejudgment interest from the date of breach on March 29, 2007, through March 26, 2009, the date of judgment in the amount of approximately $3,179,000. The insurance carriers have filed their appeal to this total judgment in the amount of approximately $16,479,000. No final and collectible judgment has been entered by the Court as of September 30, 2011.

On January 28, 2011, SynQor, Inc. ("SynQor") filed a complaint for patent infringement against Ericsson, Inc. ("Ericsson"), Cisco Systems, Inc. ("Cisco") and the Company in U.S. District Court for the Eastern District of Texas (the "Texas Action"). This immediately followed a complaint filed by the Company on January 26, 2011, in U.S. District Court for the District of Massachusetts (the "Massachusetts Action"), in which the Company sought a declaratory judgment that its bus converter products do not infringe any valid claim of certain of SynQor's U.S. patents, and that the claims of those patents are invalid. With respect to the Company, SynQor's complaint alleges the Company's products, including, but not limited to, unregulated bus converters used in intermediate bus architecture power supply

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements

September 30, 2011

(unaudited)

systems, infringe certain SynQor patents. SynQor seeks, amongst other items, an injunction against further infringement and an award of unspecified compensatory and enhanced damages, interest, costs and attorney fees. On February 8, 2011, SynQor filed a motion for preliminary injunction seeking an order enjoining the Company from manufacturing, using, selling, and offering for sale in the United States and/or importing into the United States certain identified unregulated bus converters, as well as any other bus converters not significantly different from those products. On February 17, 2011, the Company withdrew the Massachusetts Action without prejudice to allow the litigation to proceed in Texas. On May 16, 2011, SynQor announced it was withdrawing its motion for preliminary injunction against the Company. On September 20, 2011, SynQor filed an amended complaint in the Texas Action. The amended complaint repeated the allegations of patent infringement against the Company contained in SynQor's original complaint, and included additional patent infringement allegations with respect to U.S. Patent No. 8,023,290 (" 290 patent"), which was issued on that day. As with SynQor's original complaint, the amended complaint alleged that the Company's products, including but not limited to the Company's unregulated bus converters used in intermediate bus architecture power supply systems, infringed the asserted patents. On October 4, 2011, the Company filed an answer and counterclaims to SynQor's amended complaint, in which the Company alleges that the 290 patent is unenforceable because it was procured through inequitable conduct before the U.S. Patent and Trademark Office and seeks damages against SynQor for SynQor's unfair and deceptive trade practices and tortious interference with prospective economic advantage in connection with SynQor's allegations of patent infringement against the Company. The Company does not believe any of its products, including its unregulated bus converters, infringe any valid claim of the SynQor patents, either alone or when used in an intermediate bus architecture implementation. The Company believes SynQor's claims lack merit and therefore continues to vigorously defend itself against SynQor's patent infringement allegations.

The Company is involved in certain other litigation and claims incidental to the conduct of its business. While the outcome of lawsuits and claims against the Company cannot be predicted with certainty, management does not expect any current litigation or claims to have a material adverse impact on the Company's financial position or results of operations.

12. Segment Information

The Company has organized its business segments according to its key product lines. The Brick Business Unit segment ("BBU") designs, develops, manufactures and markets the Company's modular power converters and configurable products, and also includes the operations of the Company's Westcor division, the six entities comprising Vicor Custom Power, and the BBU operations of Vicor Japan Company, Ltd. ("VJCL"). The V*I Chip segment includes V*I Chip Corporation, which designs, develops, manufactures and markets the Company's factorized power architecture ("FPA") products. The V*I Chip segment also includes the V*I Chip business conducted through VJCL. Picor Corporation designs, develops, manufactures and markets integrated circuits and related products for use in a variety of power management and power system applications. Picor develops these products to be sold as part of the Company's products or to third parties for separate applications.

During the fourth quarter of 2010, the Company began to include the net revenues and cost of revenues for shipments of V*I Chip products by VJCL in the V*I Chip segment, along with an allocation of certain VJCL operating expenses from the BBU to the V*I Chip segment. Previously, all VJCL operating activity had been included in the BBU segment. The segment information for the three and nine months ended September 30, 2010 has been reclassified to conform to this new presentation.

The Corporate segment consists of those operations and assets shared by all segments. The costs of certain centralized executive and administrative functions are recorded in this segment, as are certain shared assets, most notably the Company's facilities, real estate, and certain investments.

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements

September 30, 2011

(unaudited)

The following table provides significant segment financial data as of and for the three months ended September 30, (in thousands):

| | BBU (1) | V*I Chip (1) | Picor | Corporate | Eliminations (1) (2) | Total |
|---|---|---|---|---|---|---|
| 2011: | | | | | | |
| Net revenues | $ 43,968 | $ 13,609 | $ 3,421 | $ — | $ (2,438) | $ 58,560 |
| Income (loss) from operations | 5,941 | (3,646) | (508) | (113) | — | 1,674 |
| Total assets | 80,801 | 30,611 | 7,885 | 112,465 | (23,778) | 207,984 |
| Depreciation and amortization | 1,410 | 899 | 117 | 386 | — | 2,812 |
| 2010: | | | | | | |
| Net revenues | $ 60,199 | $ 8,501 | $ 3,240 | $ — | $ (3,268) | $ 68,672 |
| Income (loss) from operations | 17,425 | (5,958) | 83 | (168) | — | 11,382 |
| Total assets | 239,570 | 27,805 | 3,963 | 94,771 | (167,676) | 198,433 |
| Depreciation and amortization | 1,240 | 894 | 96 | 365 | — | 2,595 |

The following table provides significant segment financial data as of and for the nine months ended September 30, (in thousands):

| | BBU | V*I Chip | Picor | Corporate | Eliminations | Total |
|---|---|---|---|---|---|---|
| 2011: | | | | | | |
| Net revenues | $ 148,625 | $ 42,964 | $ 10,361 | $ — | $ (7,533) | $ 194,417 |
| Income (loss) from operations | 25,267 | (11,665) | (550) | (574) | — | 12,478 |
| Total assets | 80,801 | 30,611 | 7,885 | 112,465 | (23,778) | 207,984 |
| Depreciation and amortization | 4,100 | 2,674 | 342 | 1,098 | — | 8,214 |
| 2010: | | | | | | |
| Net revenues | $ 158,982 | $ 19,311 | $ 7,923 | $ — | $ (8,458) | $ 177,758 |
| Income (loss) from operations | 39,202 | (19,240) | (904) | (451) | (8) | 18,599 |
| Total assets | 239,570 | 27,805 | 3,963 | 94,771 | (167,676) | 198,433 |
| Depreciation and amortization | 3,550 | 2,582 | 309 | 1,111 | — | 7,552 |

(1) During the fourth quarter of 2010, the Company completed a recapitalization of V*I Chip Corporation. The impact of the recapitalization on V*I Chip was to eliminate its intercompany payable to BBU of approximately $172,100,000 and institute capital accounts totaling $50,000,000 as of December 31, 2010. There was no impact on the consolidated financial statements as a result of this recapitalization.

(2) The elimination for net revenues is principally related to inter-segment revenues of Picor to BBU and V*I Chip and for inter-segment revenues of V*I Chip to BBU. The elimination for total assets is principally related to inter-segment accounts receivable due to BBU for the funding of V*I Chip operations and for the purchase of equipment for both V*I Chip and Picor.

13. Impact of Recently Issued Accounting Standards

The Company will be adopting new accounting guidance related to the presentation of comprehensive income beginning January 1, 2012. The new accounting guidance will allow the Company the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of

VICOR CORPORATION

Notes to Condensed Consolidated Financial Statements

September 30, 2011

(unaudited)

comprehensive income or in two separate but consecutive statements. With both choices, the Company will be required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. The new accounting guidance will eliminate the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The new accounting guidance will not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. While the Company has not decided which presentation option it will select, the Company does not believe the adoption of this new guidance will have a material effect on the Company's financial position or results of operations.

The Company will be adopting new accounting guidance related to testing goodwill for impairment. The guidance permits an entity to first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is then necessary to perform the two-step goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. The guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued. The Company is considering early adoption in the fourth quarter of 2011 and does not believe the adoption of this new guidance will have a material effect on the Company's financial position or results of operations.

The Company will be adopting new accounting guidance related to fair value measurement which will result in common fair value measurement and disclosure requirements in U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and International Financial Reporting Standards. Consequently, the new guidance changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the Financial Accounting Standards Board does not intend for this new guidance to result in a change in the application of the requirements in ASC Topic 820 ("Fair Value Measurements and Disclosure"). The amendments to the guidance are to be applied prospectively and are effective during interim and annual periods beginning after December 15, 2011. The Company does not believe the adoption of this new guidance will have a material effect on the Company's financial position or results of operations.

14. Dividends

On July 22, 2011, the Company's Board of Directors approved a cash dividend of $0.15 per share on shares of the Company's Common Stock. The aggregate dividend of approximately $6,272,000 was paid on August 31, 2011 to shareholders of record at the close of business on August 9, 2011. Dividends are declared at the discretion of the Company's Board of Directors and depend on actual cash from operations, the Company's financial condition and capital requirements, the requirements of Delaware law and any other factors the Company's Board of Directors may consider relevant.

VICOR CORPORATION

Management's Discussion and Analysis of

Financial Condition and Results of Operation

September 30, 2011

Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations

Except for historical information contained herein, some matters discussed in this report constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believes," "expects," "anticipates," "intend," "estimate," "plans," "assumes," "may," "will," "would," "should," "continue," "prospective," "project," and other similar expressions identify forward-looking statements. Forward-looking statements also include statements regarding the derivation of a portion of the Company's sales in each quarter from orders booked in the same quarter, the Company's plans to invest in research and development and manufacturing equipment, the Company's belief regarding market risk being mitigated because of limited foreign exchange fluctuation exposure, the Company's continued success depending in part on its ability to attract and retain qualified personnel, the Company's belief that cash generated from operations and the total of its cash and cash equivalents and short-term investments will be sufficient for the foreseeable future, the Company's intention regarding protecting its rights under its patents and the Company's expectation that no current litigation or claims will have a material adverse impact on its financial position or results of operations. These statements are based upon the Company's current expectations and estimates as to the prospective events and circumstances which may or may not be within the Company's control and as to which there can be no assurance. Actual results could differ materially from those projected in the forward-looking statements as a result of various factors, including our ability to develop and market new products and technologies cost effectively, to leverage design wins into increased product sales, to continue to make progress with key customers and prospects, to decrease manufacturing costs, to enter into licensing agreements that amplify the market opportunity and accelerate market penetration, to realize significant royalties under license agreements, to achieve a sustainable increased bookings rate over a longer period, to hire key personnel and to continue to build our three business units, to successfully enforce our intellectual property rights, to successfully defend outstanding litigation, to successfully leverage the V*I Chips in standard products to promote market acceptance of Factorized Power Architecture, to develop or maintain an effective system of internal controls, to obtain required financial information for certain investments on a timely basis, and factors impacting the Company's various end markets, the impact of write-downs in the value of assets, the effects of equity accounting with respect to certain affiliates, the failure of auction rate securities to sell at their reset dates as well as those factors described in the risk factors set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, under Part I, Item I — "Business," under Part I, Item 1A — "Risk Factors," under Part I, Item 3 — "Legal Proceedings," and under Part II, Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations." The risk factors contained in this report may not be exhaustive. Therefore, the information contained in this report should be read together with other reports and documents that the Company files with the Securities and Exchange Commission from time to time, including Forms 10-Q, 8-K and 10-K, which may supplement, modify, supersede or update those risk factors. The Company does not undertake any obligation to update any forward-looking statements as a result of future events or developments.

Overview

Vicor Corporation designs, develops, manufactures and markets modular power components and complete power systems based upon a portfolio of patented technologies. The Company sells its products primarily to customers in the higher-performance, higher-power segments of the power systems market, including aerospace and defense electronics, enterprise and high performance computing, industrial equipment and automation, telecommunications and network infrastructure, and vehicles and transportation. On June 22, 2011, the Company announced the adoption of a multi-tiered distribution model, with direct sales, regional manufacturers' representatives in North and South America, and, for the first time in North America, a distribution partnership with Future Electronics Incorporated, a leading electronic components distributor. In July 2011, the Company entered into a similar distribution arrangement with Digi-Key Corporation. Revenues to date under these new arrangements have not been material. The Company will continue to utilize independent distributors to serve international markets. Export sales as a percentage of total revenues for the nine months ended September 30, 2011 and 2010 were approximately 58% and 49%, respectively.

The Company has organized its business segments according to its key product lines. The Brick Business Unit segment ("BBU") designs, develops, manufactures and markets the Company's modular power converters and configurable products, and also includes the operations of the Company's Westcor division, the six entities comprising Vicor Custom Power, and the BBU operations of Vicor Japan Company, Ltd. ("VJCL"). The V*I Chip segment includes V*I Chip Corporation, which designs, develops, manufactures and markets the Company's factorized power architecture ("FPA") products. The V*I Chip segment also includes the V*I Chip business conducted through VJCL. Picor Corporation designs, develops, manufactures and markets integrated circuits and related products for

use in a variety of power management and power system applications. Picor develops these products to be sold as part of the Company's products or to third parties for separate applications.

Revenues for the third quarter decreased by 14.7% to $58,560,000, compared to $68,672,000 for the corresponding period a year ago, and decreased by 10.5% on a sequential basis from $65,402,000 for the second quarter of 2011. Gross margin decreased to $24,440,000 for the third quarter of 2011, compared to $32,473,000 for the corresponding period a year ago, and decreased on a sequential basis from $27,309,000 for the second quarter of 2011. Gross margin, as a percentage of revenue, decreased to 41.7% for the third quarter of 2011 compared to 47.3% for the third quarter of 2010 and decreased on a sequential basis from 41.8% for the second quarter of 2011. Net income attributable to Vicor Corporation for the third quarter was $1,082,000, or $0.03 per diluted share, compared to net income attributable to Vicor Corporation of $15,819,000, or $0.38 per diluted share, for the corresponding period a year ago, and net income attributable to Vicor Corporation of $3,066,000, or $0.07 per diluted share, for the second quarter of 2011. During the third quarter of 2010, the Company recorded a non-recurring, non-cash benefit of $5,158,000, or approximately $0.12 per diluted share, due to releasing a portion of its deferred tax valuation allowance.

Revenues for the nine months ended September 30, 2011, increased by 9.4% to $194,417,000, compared to $177,758,000 for the corresponding period a year ago. Gross margin increased to $82,203,000 for the nine months ended September 30, 2011, compared to $81,536,000 for the corresponding period a year ago. Gross margin, as a percentage of revenue, decreased to 42.3% for the nine months ended September 30, 2011, compared to 45.9% for the corresponding period a year ago. Net income attributable to Vicor Corporation for the nine months ended September 30, 2011, was $8,166,000, or $0.20 per diluted share, compared to net income attributable to Vicor Corporation of $22,518,000, or $0.54 per diluted share, for the corresponding period a year ago.

Backlog, representing the total of purchase orders received for which product has not yet been shipped, was $62,803,000 at the end of the third quarter of 2011, as compared to $64,914,000 at the end of the second quarter of 2011.

Operating expenses for the three months ended September 30, 2011, increased $1,675,000, or 7.9%, to $22,766,000 from $21,091,000 in 2010, due to increases in selling, general and administrative expenses of $906,000 and research and development expenses of $769,000. The primary increases in selling, general and administrative expenses were compensation expenses of $747,000, travel expenses of $200,000, legal fees of $167,000, outside services of $162,000, and employment recruiting expense of $82,000, partially offset by a decrease in commissions expense of $442,000. The primary increases in research and development expenses were compensation expenses of $802,000, project and pre-production materials of $86,000, and depreciation and amortization of $66,000, partially offset by decreases in outside services of $163,000, and employment recruiting expense of $68,000.

Operating expenses for the nine months ended September 30, 2011 increased $6,788,000, or 10.8%, to $69,725,000 from $62,937,000 in 2010, due to an increase in selling, general and administrative expenses of $4,167,000 and research and development expenses of $2,621,000. The primary increases in selling, general and administrative expenses were compensation expenses of $2,573,000, legal fees of $1,432,000, outside services of $494,000, travel expenses of $279,000, and employment recruiting expense of $164,000, partially offset by decreases in commissions expense of $579,000, advertising expenses of $346,000, and computer related expenses of $110,000. The primary increases in research and development expenses were compensation expenses of $2,370,000, deferred costs of $272,000, project and pre-production materials of $233,000, and depreciation and amortization of $190,000, partially offset by decreases in outside services of $360,000, and employment recruiting expense of $117,000.

Other income, net for the three months ended September 30, 2011, decreased $87,000 to zero. The primary reasons for the decrease were an increase in foreign currency losses of $83,000 and a decrease in interest income of $30,000, offset by an increase in gain on disposals of equipment of $31,000.

Other income, net for the nine months ended September 30, 2011, decreased $231,000 to $348,000 from $579,000 in 2010. The primary reasons for the decrease were an increase in foreign currency losses of $266,000, and decreases in gain on disposals of equipment of $217,000 and interest income of $136,000, offset by an increase in credit gain on available for sale securities of $406,000.

For the nine months ended September 30, 2011, depreciation and amortization totaled $8,214,000 and capital additions totaled $6,251,000, compared to $7,552,000 and $7,741,000, respectively, for the first nine months of 2010.

VICOR CORPORATION

Management's Discussion and Analysis of

Financial Condition and Results of Operation

September 30, 2011

Inventories increased by approximately $972,000 or 2.7% to $36,461,000, compared to $35,489,000 at December 31, 2010. This increase was associated with increases in BBU and V*I Chip inventories of $1,198,000 and $16,000, respectively, offset by a decrease in Picor inventories of approximately $242,000.

Critical Accounting Policies and Estimates

Please refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2010, for a complete summary of the critical accounting policies and estimates.

*Three months ended September 30, 2011, compared to three months ended September 30, 2010*

Net revenues for the third quarter of 2011, were $58,560,000, a decrease of $10,112,000 or 14.7%, as compared to $68,672,000 for the same period a year ago and decreased 10.5% on a sequential basis from the second quarter of 2011.

The components of net revenues for the three months ending September 30, were as follows (dollars in thousands):

| | 2011 | 2010 | Increase (decrease) | |
|---|---|---|---|---|
| | | | $ | % |
| BBU | $ 43,968 | $ 60,199 | $ (16,231) | (27.0)% |
| V*I Chip | 12,888 | 7,043 | 5,845 | 83.0% |
| Picor | 1,704 | 1,430 | 274 | 19.2% |
| Total | $ 58,560 | $ 68,672 | $ (10,112) | (14.7)% |

The net decrease in BBU revenues was due to decreases in BBU component revenues of approximately $8,507,000 and Vicor Custom Power revenue of approximately $8,174,000, partially offset by an increase in Vicor Japan revenues of approximately $1,071,000. The decreases are attributed to decreases in defense electronics bookings and the completion of two major programs for Vicor Customer Power entities in the first part of 2011. Orders during the three months ending September 30, 2011, increased by 1.8% compared with the second quarter of 2011, but were 19.4% lower than the same period in 2010.

Gross margin for the third quarter of 2011 decreased $8,033,000, or 24.7%, to $24,440,000 from $32,473,000 in the third quarter of 2010. Gross margin, as a percentage of net revenues, decreased to 41.7% from 47.3%. The decrease in gross margin dollars and gross margin percentage was primarily due to the decrease in net revenues. Also contributing to the decrease in gross margin percentage was a shift in product mix to a higher proportion of lower margin V*I Chip products, along with lower volumes of higher-margin BBU component products and Vicor Custom Power products.

Selling, general and administrative expenses were $13,072,000 for the quarter ended September 30, 2011, an increase of $906,000, or 7.4%, as compared to $12,166,000 for the same period in 2010. Selling, general and administrative expenses as a percentage of net revenues, increased to 22.3% from 17.7% for the same period in 2010, primarily due to the decrease in net revenues.

VICOR CORPORATION

Management's Discussion and Analysis of

Financial Condition and Results of Operation

September 30, 2011

The components of the $906,000 increase in selling, general and administrative expenses were as follows (in thousands):

| | Increase (decrease) | |
|---|---|---|
| Compensation | $ 747 | 11.4%(1) |
| Travel expenses | 200 | 43.4%(2) |
| Legal fees | 167 | 76.1%(3) |
| Outside services | 162 | 42.5%(4) |
| Employment recruiting | 82 | 84.8% |
| Commissions expense | (442) | (24.8)%(5) |
| Other, net | (10) | (0.3)% |
| | $ 906 | 7.4% |

(1) Increase primarily attributable to an increase in headcount, annual compensation adjustments in May 2011, an increase in fringe benefit expense due to increases in premiums for employee health benefits, and additional stock-based compensation expense related to Picor stock options (See Note 4 of the Condensed Consolidated Financial Statements).

(2) Increase primarily attributed to increased travel by the Company's sales and marketing personnel.

(3) Increase in legal fees due to a patent infringement claim filed against the Company during the first quarter of 2011 by SynQor, Inc. See Note 11 of the Condensed Consolidated Financial Statements for discussion of this matter.

(4) Increase primarily attributed to additional outsourcing of certain sales and marketing and information technology functions.

(5) Decrease primarily attributed to the decrease in net revenues subject to commissions, in particular due to an increase in international revenues, which are generally not subject to commissions.

Research and development expenses were $9,694,000 for the quarter ended September 30, 2011, an increase of $769,000, or 8.6%, as compared to $8,925,000 for the same period in 2010. As a percentage of net revenues, research and development increased to 16.6% from 13.0%, primarily due to the decrease in net revenues.

VICOR CORPORATION

Management's Discussion and Analysis of

Financial Condition and Results of Operation

September 30, 2011

The components of the $769,000 increase in research and development expenses were as follows (in thousands):

| | Increase (decrease) | |
|---|---|---|
| Compensation | $ 802 | 12.8%(1) |
| Project and pre-production materials | 86 | 12.6%(2) |
| Depreciation and amortization | 66 | 16.6% |
| Employment recruiting | (68) | (90.3)% |
| Outside services/subcontract labor | (163) | (36.1)%(3) |
| Other, net | 46 | 4.4% |
| | $ 769 | 8.6% |

(1) Increase primarily attributed to an increase in research and development personnel for the BBU and V*I Chip, annual compensation adjustments in May 2011, an increase in fringe expense due to increases in premiums for employee health benefits, and additional stock-based compensation expense related to Picor stock options (See Note 4 of the Condensed Consolidated Financial Statements).

(2) Increase primarily attributed to an increase in project materials associated with the development of V*I Chip and Picor products.

(3) Decrease attributable to decreased use of outside services due to decreased activities at one of the Vicor Custom subsidiaries.

The major changes in the components of the other income, net were as follows (in thousands):

| | 2011 | 2010 | Increase (decrease) |
|---|---|---|---|
| Interest income | $ 73 | $ 103 | $ (30) |
| Gain on disposals of equipment | 33 | 2 | 31 |
| Foreign currency (losses) gains | (55) | 28 | (83) |
| Credit loss on available for sale securities | (72) | (69) | (3) |
| Other, net | 21 | 23 | (2) |
| | $ — | $ 87 | $ (87) |

The decrease in interest income for the period was due to lower average balances on the Company's long-term investments, lower balances on auction rate securities earning higher penalty rates, as well as a general decrease in interest rates. The Company's exposure to market risk for fluctuations in foreign currency exchange rates relates primarily to the operations of VJCL. The functional currency of the Company's subsidiaries in Europe and Hong Kong is the U.S. dollar.

Income before income taxes was $1,674,000 for the third quarter of 2011, compared to $11,469,000 for the same period in 2010.

VICOR CORPORATION

Management's Discussion and Analysis of

Financial Condition and Results of Operation

September 30, 2011

The provision for income taxes and the effective income tax rate were as follows (dollars in thousands):

| | 2011 | 2010 |
|---|---|---|
| Provision for income taxes | $ 499 | $ (4,400) |
| Effective income tax rate | 29.8% | (38.4%) |

For the three months ended September 30, 2011, compared to same period in 2010, the provision for income taxes and the effective tax rate increased due to the complete utilization of remaining Federal, foreign, and a significant portion of remaining state, net operating loss carryforwards through the end of 2010, which lowered the income tax provision in 2010. During the third quarter of 2010, the Company recorded a non-recurring, non-cash benefit of $5,158,000 due to releasing a portion of its deferred tax valuation allowance.

Net income of noncontrolling interest increased $43,000 from $50,000 to $93,000 for the same period in 2010. This was due to higher net income of entities in which the Company holds a noncontrolling equity interest (i.e., certain Vicor Custom Power subsidiaries).

Basic and diluted income per share attributable to Vicor Corporation was $0.03 for the third quarter of 2011, compared to $0.38 for the third quarter of 2010.

*Nine months ended September 30, 2011 compared to nine months ended September 30, 2010*

Net revenues for the nine months ended September 30, 2011 were $194,417,000, an increase of $16,659,000 or 9.4%, as compared to $177,758,000, for the same period a year ago.

The components of net revenues for the nine months ended September 30, were as follows (dollars in thousands):

| | 2011 | 2010 | Increase (decrease) | |
|---|---|---|---|---|
| | | | $ | % |
| BBU | $ 148,625 | $ 158,982 | $ (10,357) | (6.5)% |
| V*I Chip | 40,976 | 15,501 | 25,475 | 164.3% |
| Picor | 4,816 | 3,275 | 1,541 | 47.1% |
| Total | $ 194,417 | $ 177,758 | $ 16,659 | 9.4% |

The primary decrease in BBU revenues was due to a decrease in Vicor Custom Power revenue of approximately $11,741,000 primarily due to the completion of two major programs in the first part of 2011. Bookings during the nine months ended September 30, 2011, decreased by 11.1%, compared with the last nine months of 2010. This decrease was caused by decreases in BBU and Picor orders of 16.7%, and 23.4%, respectively, offset by an increase in V*I Chip orders of 18.2%. The increase in V*I Chip bookings has led to their revenue increases.

Gross margin for the first nine months of 2011 increased $667,000, or 0.8%, to $82,203,000 from $81,536,000, compared to the same period a year ago. Gross margin, as a percentage of net revenues, decreased to 42.3% from 45.9%. The increase in gross margin dollars was the result of the increase in net revenues. The decrease in gross margin percentage was primarily due to a shift in product mix to a higher proportion of lower margin V*I Chip products.

Selling, general and administrative expenses were $40,274,000 for the nine months ended September 30, 2011, an increase of

VICOR CORPORATION

Management's Discussion and Analysis of

Financial Condition and Results of Operation

September 30, 2011

$4,167,000, or 11.5%, compared to $36,107,000 for the same period in 2010. Selling, general and administrative expenses as a percentage of net revenues increased to 20.7% from 20.3% for the same period in 2010.

The components of the $4.167,000 increase in selling, general and administrative expenses were as follows (in thousands):

| | Increase (decrease) | |
|---|---|---|
| Compensation | $ 2,573 | 13.3%(1) |
| Legal fees | 1,432 | 238.5%(2) |
| Outside services | 494 | 44.8%(3) |
| Travel expenses | 279 | 20.8%(4) |
| Employment recruiting | 164 | 78.6%(5) |
| Depreciation and amortization | 134 | 5.5% |
| Audit, tax and accounting fees | (91) | (8.2)% |
| Computer related expenses | (110) | (12.7)% |
| Advertising expenses | (346) | (17.1)%(6) |
| Commissions expense | (579) | (11.5)%(7) |
| Other, net | 217 | 10.3%(8) |
| | $ 4,167 | 11.5% |

(1) Increase primarily attributable to an increase in headcount, annual compensation adjustments in May 2011, and an increase in fringe benefit expense, due to increase in premiums for employee health insurance coverage.

(2) Increase in legal fees due to a patent infringement claim filed against the Company during the first quarter of 2011 by SynQor, Inc. See Note 11 of the Condensed Consolidated Financial Statement for discussion of this matter.

(3) Increase primarily attributed to additional outsourcing of certain sales and marketing and information technology functions.

(4) Increase primarily attributed to increased travel by the Company's sales and marketing personnel.

(5) Increase primarily due to the hiring of certain sales and marketing personnel.

(6) Decrease primarily due to decreases in sales support expenses, direct mailings and advertising in trade publications.

(7) Decrease primarily attributed to the decrease in net revenues subject to commissions, in particular due to an increase in international revenues, which are generally not subject to commissions.

(8) Other, net consists of a variety of items, none of which was greater than $67,000.

VICOR CORPORATION

Management's Discussion and Analysis of

Financial Condition and Results of Operation

September 30, 2011

Research and development expenses were $29,451,000 for the nine months ended September 30, 2011, an increase of $2,621,000, or 9.8%, compared to $26,830,000 for the same period in 2010. Research and development expenses as a percentage of net revenues was 15.1% for the nine months ending September 30, 2011 and 2010.

The components of the $2,621,000 increase in research and development expenses were as follows (in thousands):

| | Increase (decrease) | |
|---|---|---|
| Compensation | $ 2,370 | 12.8%(1) |
| Deferred costs | 272 | 73.3%(2) |
| Project and pre-production materials | 233 | 9.6%(3) |
| Depreciation and amortization | 190 | 16.5%(4) |
| Computer related expenses | 96 | 60.6% |
| Set-up and tooling expenses | (30) | (7.5)% |
| Employment recruiting | (117) | (67.7)% |
| Outside services/subcontract labor | (360) | (26.2)%(5) |
| Other, net | (33) | (1.1)% |
| | $ 2,621 | 9.8% |

(1) Increase primarily attributed to an increase in research and development personnel for the BBU and V*I Chip, annual compensation adjustments in May 2011, and an increase in fringe benefit expense due to increases in premiums for employee health insurance benefits.

(2) Increase primarily attributed to a decrease, as compared to the prior year, in deferred costs capitalized for certain non-recurring engineering projects for which the related revenues have been deferred.

(3) Increase primarily attributed to an increase in project materials associated with the development of BBU and V*I Chip products, offset by a decrease in pre-production materials for V*I Chip.

(4) Increase primarily attributed to additions of engineering equipment over the past several quarters for the BBU and V*I Chip.

(5) Decrease primarily attributed to decreased use of outside services and subcontract labor due to decreased activity at Vicor Custom Power subsidiaries.

VICOR CORPORATION

Management's Discussion and Analysis of

Financial Condition and Results of Operation

September 30, 2011

The major changes in the components of the other income, net were as follows (in thousands):

| | 2011 | 2010 | Increase (decrease) |
|---|---|---|---|
| Interest income | $ 224 | $ 360 | $ (136) |
| Gain on disposals of equipment | 31 | 248 | (217) |
| Foreign currency losses | (278) | (12) | (266) |
| Unrealized loss on auction rate securities rights | — | (962) | 962 |
| Unrealized gain on trading securities | — | 970 | (970) |
| Credit gain (loss) on available for sale securities | 295 | (111) | 406 |
| Other, net | 76 | 86 | (10) |
| | $ 348 | $ 579 | $ (231) |

Pursuant to a settlement agreement reached with UBS AG in 2008, the Company's then-remaining par value of $8,600,000 of auction rate securities held by UBS were purchased by UBS at par value on June 30, 2010. The unrealized gain and (loss) on the Company's auction rate securities and associated rights for the quarter ended June 30, 2010, resulted from this sale and the termination of the associated rights. Because the Company recorded, for the quarter ended March 31, 2010, an income statement gain of $4,000, representing the net of the decrease in estimated value of the auction rate securities held by UBS and the increase in the estimated value of the associated rights, the Company recognized no net loss on the sale of the auction rate securities to UBS. The increase in credit gains on available-for-sale auction rate securities (i.e., the Company's auction rates securities held by Bank of America) was primarily due to the redemption at par by issuers of $7,900,000 of auction rate securities during the nine months ended September 30, 2011, for which credit losses had previously been recorded. The decrease in interest income for the period was due to lower average balances on the Company's long-term investments, lower balances on auction rate securities earning higher penalty rates, as well as a general decrease in interest rates. The Company's exposure to market risk for fluctuations in foreign currency exchange rates relates primarily to the operations of VJCL. The functional currency of the Company's subsidiaries in Europe and Hong Kong is the U.S. dollar.

Income before income taxes was $12,826,000 for the first nine months of 2011 compared to $19,178,000 for the same period in 2010.

The provision for income taxes and the effective income tax rate were as follows (dollars in thousands):

| | 2011 | 2010 |
|---|---|---|
| Provision for income taxes | $ 4,278 | $ (3,443) |
| Effective income tax rate | 33.4% | (18.0)% |

For the nine months ended September 30, 2011 compared to 2010, the provision for income taxes increased due to the increase in income before income taxes and the increase in the effective tax rate. The increase in the effective tax rate was primarily due to the complete utilization of remaining Federal, foreign and a significant portion of remaining state, net operating loss carryforwards through the end of 2010, which lowered the income tax provision in 2010. During the third quarter of 2010, the Company recorded a non-recurring, non-cash benefit of $5,158,000 due to releasing a portion of its deferred tax valuation allowance.

Net income of noncontrolling interest increased $279,000 to $382,000 in the first nine months of 2011 from $103,000 for the same period in 2010. This was due to higher net income of entities in which the Company holds a noncontrolling equity interest (i.e., certain Vicor Custom Power subsidiaries).

VICOR CORPORATION

Management's Discussion and Analysis of

Financial Condition and Results of Operation

September 30, 2011

Basic and diluted income per share attributable to Vicor Corporation was $0.20 for the first nine months of 2011, compared to $0.54 for the first nine months of 2010.

Liquidity and Capital Resources

At September 30, 2011, the Company had $66,889,000 in cash and cash equivalents. The ratio of current assets to current liabilities was 6.8:1 as of September 30, 2011 and 5.6:1 as of December 31, 2010. Working capital increased $14,467,000 to $119,921,000 as of September 30, 2011 from $105,454,000 as of December 31, 2010. The primary factors affecting the working capital increase were increases in cash and cash equivalents of $17,610,000, inventories of $972,000, other current assets of $637,000, as well as a decrease in accounts payable of $3,267,000 and other accrued expenses of $532,000, partially offset by a decrease in accounts receivable of $6,862,000, and increases in accrued compensation and benefits of $1,582,000 and income taxes payable of $215,000. The primary sources of cash for the nine months ended September 30, 2011, were $21,654,000 from operating activities and net proceeds of $7,973,000 from the sale of investments. The primary uses of cash for the nine months ended September 30, 2011, were for the payment of Common Stock dividends of $6,272,000 and $6,251,000 for the purchase of equipment.

As of September 30, 2011, the Company held $11,175,000 of auction rate securities at par value classified as long-term investments. Please see Note 2 of the Company's Condensed Consolidated Financial Statements for a discussion of the securities and the Company's accounting treatment thereof.

In November 2000, the Board of Directors of the Company authorized the repurchase of up to $30,000,000 of the Company's Common Stock (the "November 2000 Plan"). The November 2000 Plan authorizes the Company to make such repurchases from time to time in the open market or through privately negotiated transactions. The timing and amounts of stock repurchases are at the discretion of management based on its view of economic and financial market conditions. The Company did not repurchase shares of Common Stock during the nine months ended September 30, 2011. As of September 30, 2011, the Company had approximately $8,541,000 remaining under the November 2000 Plan.

On July 22, 2011, the Company's Board of Directors approved a cash dividend of $0.15 per share of the Company's Common Stock. The aggregate dividend of $6,272,000 was paid on August 31, 2011 to shareholders of record at the close of business on August 9, 2011.

The Company's primary liquidity needs are for making continuing investments in manufacturing equipment. The Company believes cash generated from operations and the total of its cash and cash equivalents will be sufficient to fund planned operations and capital equipment purchases for the foreseeable future. The Company had approximately $416,000 of capital expenditure commitments, principally for manufacturing equipment, as of September 30, 2011.

Based on the Company's ability to access cash and cash equivalents and its expected operating cash flows, management does not anticipate the current lack of liquidity of the Company's auction rate securities will affect the Company's ability to execute its current operating plan.

The Company does not consider the impact of inflation and changing prices on its business activities or fluctuations in the exchange rates for foreign currency transactions to have been significant during the last three fiscal years.

Vicor Corporation

September 30, 2011

Item 3 — Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to a variety of market risks, including changes in interest rates affecting the return on its cash and cash equivalents and fluctuations in foreign currency exchange rates. As the Company's cash and cash equivalents consist principally of money market securities, which are short-term in nature, the Company believes its exposure to market risk on interest rate fluctuations for these investments is not significant. The Company's long-term investments consist mainly of municipal and corporate debt securities, of which the Failed Auction Securities represent a significant portion. While the Failed Auction Securities are all highly rated investments, generally with AAA/Aaa ratings, continued failure to sell at their reset dates could negatively impact the carrying value of the investments, in turn leading to impairment charges in future periods. Changes in the fair value of the Failed Auction Securities attributable to credit loss are recorded through earnings, with the remainder of any change recorded in "Accumulated other comprehensive loss", a component of Stockholders' Equity. Should a decline in the value of the Failed Auction Securities be other than temporary, the losses would be recorded in "Other income (expense), net." The Company does not believe there was an "other-than-temporary" decline in value in these securities as of September 30, 2011.

The Company's exposure to market risk for fluctuations in foreign currency exchange rates relates primarily to the operations of VJCL and changes in the dollar/yen exchange rate, as the functional currency of the Company's subsidiaries in Europe and Hong Kong is the U.S. dollar. Therefore, the Company believes market risk is mitigated since these operations are not materially exposed to foreign exchange fluctuations.

Item 4 — Controls and Procedures

(a) Disclosure regarding controls and procedures.

As required by Rule 13a-15 under the Securities Exchange Act, the Company's management, with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures, as of the end of the last fiscal quarter (i.e., September 30, 2011). The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the Company's disclosure controls and procedures as of September 30, 2011, the Chief Executive Officer and Chief Financial Officer concluded that, as of such date, the Company's disclosure controls and procedures were effective at the reasonable assurance level.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Accordingly, management, including the CEO and CFO, recognizes the Company's disclosure controls or its internal control over financial reporting may not prevent or detect all errors and all fraud. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any control's effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

(b) Changes in internal control over financial reporting.

Vicor Corporation

September 30, 2011

There was no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended September 30, 2011, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Vicor Corporation

Part II — Other Information

September 30, 2011

Item 1 — Legal Proceedings

See Note 11. Commitments and Contingencies in the Notes to Condensed Consolidated Financial Statements in Part I — Item 1 — Financial Statements.

Item 1A — Risk Factors

There have been no material changes in the risk factors described in Item 1A ("Risk Factors") of the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds

| | Issuer Purchases of Equity Securities | | | |
|---|---|---|---|---|
| Period | Total Number of Shares (or Units) Purchased | Average Price Paid per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (of Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
| July 1 - 31, 2011 | — | $ — | — | $ 8,541,000 |
| August 1 - 31, 2011 | — | — | — | 8,541,000 |
| September 1 - 30, 2011 | — | — | — | 8,541,000 |
| Total | — | $ — | — | $ 8,541,000 |

In November 2000, the Board of Directors of the Company authorized the repurchase of up to $30,000,000 of the Company's Common Stock.

Item 6 — Exhibits

| Exhibit Number | Description |
|---|---|
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 | The following material from the Company's Quarterly Report on Form 10-Q, for the quarter ended September 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Cash Flows; and (iv) the Notes to Condensed Consolidated Financial Statements. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VICOR CORPORATION

| | | |
|---|---|---|
| Date: October 28, 2011 | By: | /s/ Patrizio Vinciarelli<br>Patrizio Vinciarelli<br>Chairman of the Board,<br><br>President and Chief Executive Officer<br><br>(Principal Executive Officer) |
| Date: October 28, 2011 | By: | /s/ James A. Simms<br>James A. Simms<br>Vice President,<br><br>Chief Financial Officer<br><br>(Principal Financial Officer) |

Exhibit 31.1

CERTIFICATIONS

I, Patrizio Vinciarelli, certify:

1. I have reviewed this quarterly report on Form 10-Q of Vicor Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 28, 2011

/s/ Patrizio Vinciarelli
Patrizio Vinciarelli
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, James A. Simms, certify:

1. I have reviewed this quarterly report on Form 10-Q of Vicor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 28, 2011

/s/ James A. Simms
James A. Simms
Vice President, Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Vicor Corporation (the "Company") on Form 10-Q for the period ending September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patrizio Vinciarelli, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Patrizio Vinciarelli

Patrizio Vinciarelli
President, Chairman of the Board and

Chief Executive Officer

October 28, 2011

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Vicor Corporation (the "Company") on Form 10-Q for the period ending September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James A. Simms, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James A. Simms
James A. Simms
Vice President, Chief Financial Officer

October 28, 2011

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.