

2008

Annual Report & Proxy Statement



FINANCIAL HIGHLIGHTS 2004 – 2008

(In thousands, except per share amounts)

	2004	2005	2006	2007	2008
Net Revenues	\$171,580	\$179,351	\$192,047	\$195,827	\$205,368
Income (Loss) from Operations	(4,035)	3,380	(33,182)	1,071	(1,142)
Net Income (Loss)	(4,692)	3,493	(29,059)	5,335	(3,595)
Net Income (Loss) Per Share, Diluted	(0.11)	0.08	(0.69)	0.13	(0.09)
Weighted Average Shares, Diluted	42,022	42,089	41,839	41,687	41,651
Working Capital	148,419	150,385	123,467	114,924	65,297
Total Assets	243,452	243,902	247,461	192,458	171,922
Total Liabilities	24,259	28,965	77,289	28,018	24,751
Stockholders' Equity	\$219,193	\$214,937	\$170,172	\$164,440	\$147,171
Return on Average Equity	(2.1%)	1.6%	(15.1%)	3.2%	(2.3%)

VICOR CORPORATION designs, develops, manufactures and markets modular power components and complete power systems used primarily by original equipment manufacturers (OEMs) in the communications, data processing, industrial control, test equipment, medical and defense electronics markets. Built into virtually all electronic products, power systems convert electric power from a primary source — a wall outlet, for example — into low, stable voltages required by electronic circuits.

At the heart of Vicor's product line are high density DC-DC converters that come in thousands of combinations of input voltages, output voltages, and power levels. Accessory components integrate other power system functions. Together, these products allow users to meet their unique power requirements by selecting and interconnecting standard, modular parts. The benefits include rapid, flexible design of complete power systems at any power level; the high performance and reliability of Vicor's field-proven technology; and low cost associated with automated component manufacture and simplified power system design.

Engineers use the combined advantages of Vicor component power to create compact, highly functional, economical products with streamlined development cycles that minimize time to market.

VICOR

PRESIDENT'S MESSAGE

To my fellow shareholders:

2008 was a challenging year for the global economy, the power component industry and for Vicor. The worldwide recession deepened through the year, and, despite the unprecedented efforts of governments and central banks, the outlook for economic activity remains weak. Many of our competitors experienced sharp declines in revenue and profit as the volatile market segments they serve rapidly contracted. While poor economic conditions put pressure on demand and pricing in some markets we serve, Vicor actually experienced year-over-year growth in consolidated revenue. However, growth fell short of expectations, and we reported a net loss for the year.

Nevertheless, your management team remains confident Vicor is well-positioned to return to robust growth and profitability when economic conditions improve. We also are confident we are well-positioned to weather what additional challenges the worldwide recession may put before us. This letter sets forth why we have this confidence.

INNOVATION DEFINES OUR COMPANY.

Since the company was founded, innovation has defined Vicor. Our products have been based on advanced, highly-differentiated technology leveraging intellectual property covered by an extensive patent portfolio. We have established a track record of pioneering accomplishments, from the introduction in the 1980s of high density DC-DC converters that set the high-performance competitive standard for the "brick" power component paradigm, to the recent introduction of Factorized Power Architecture™ (FPA) and V•I Chip™ power components. Vicor's patent portfolio of over 120 patents reflects aggressive investment in innovation, with research and development expenses exceeding fifteen percent of revenue for the sixth consecutive year.

We believe our commitment to innovation — pursuing higher performance power conversion — will serve us well during this period of economic decline. While competitors are retrenching and fighting commodity wars, we are pushing ahead with a focus on delivering differentiated solutions.



OUR FACTORIZED POWER ARCHITECTURE ADDRESSES THE EMERGING REQUIREMENTS OF AN INCREASINGLY ENERGY-AWARE CUSTOMER BASE.

Traditional power distribution architectures and power components may not meet the performance requirements of future power systems. Specifically, we do not believe traditional components will be able to meet evolving system requirements in advanced applications requiring lower voltages, higher currents and higher speed.

Additionally, the economics of power management and reduced power consumption are shifting in our favor. Trends in the data center market support the vision embodied in FPA. Electricity costs for data centers now exceed hardware costs over the four-year average life of an enterprise server. Being "green" — using power responsibly — and cutting electricity costs have made power efficiency a top priority for data center operators. Server vendors and their end customers, mindful of utility costs, are increasingly willing to invest in more sophisticated and efficient power systems.

We are uniquely positioned to address these trends in power system design with synergy among Vicor entities, products and core competencies. Picor chips, V•I Chips and VI BRICKS were conceived to provide a superior value proposition to customers challenged by demanding power system requirements, creating a substantial opportunity for Vicor and representing the basis for our next phase of growth.



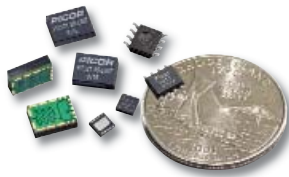
MOMENTUM WITH OUR V•I CHIP, VI BRICK AND PICOR PRODUCT LINES IS BUILDING.

2008 was another year of progress for V•I Chip. We expanded our next-generation product offerings, introducing eight new full-size and six half-size V•I Chips, broadening the range of applications in which FPA can be implemented. In addition, we licensed V•I Chip technology to a domestic partner that will be pursuing a unique market opportunity.



Also during the year, we formally introduced our first "V•I Chip inside" VI BRICK products, which, in their most basic form, combine the electrical attributes of V•I Chips with the mechanical and thermal management flexibility of Vicor's bricks. Later in the year, we rolled-out application-specific VI BRICKS, integrating a multiplicity of V•I Chips within thermally adept modules. Some of these modules have already been designed into advanced, high performance computing platforms.

Picor, which shifted its focus in 2008 from internal, proprietary needs to an external merchant strategy based on high performance power management products, introduced several products during the year. Notably, its Cool-ORing™ family of devices was named one of EDN's "Hot 100" products of the year. Picor's power management products are targeted at computing and networking applications.



We expect to roll-out significant new families of Picor, V•I Chip and VI BRICK products in 2009.

WE HAVE A BALANCED, FLEXIBLE BUSINESS MODEL FOR FUTURE GROWTH.

Vicor's strategy is to maintain a profitable brick-based business while aggressively investing in next generation power management and conversion components that will define our future.

After the collapse of the telecom market early in this decade, Vicor reassessed its product portfolio and overall competitive positioning. Unlike most of our competitors, we remained an independent, domestic manufacturer, shifted our competitive positioning to emphasize "mass customization", and set forth a new roadmap for development of next generation technologies and products.

Within our brick business, we refined our flexible manufacturing infrastructure, investing in the plant equipment and information technology necessary to support lower manufacturing costs. We are able to deliver configured solutions meeting specific customer requirements with a cycle time (i.e., the period from receipt of a customer's order to shipment of that order) that in recent years has been reduced from weeks to days.

Our "inside-out" product strategy is now increasingly focused on Picor, V-I Chips and VI BRICK components as the next generation of component-level building blocks. As these businesses are in their early growth stages and are investing in operational infrastructure to support anticipated growth, they continue to consume cash. Fortunately, our Brick Business Unit is profitable and generates cash that has funded — and will continue to fund — our promising, early stage businesses.



WE ARE WELL CAPITALIZED, WITH SIGNIFICANT RESOURCES TO CALL UPON AS NEEDED.

Especially relevant to these turbulent times, Vicor has a solid, unlevered balance sheet.

We have substantial cash and short and long-term financial instruments, and our current ratio (i.e., the ratio of current assets to current liabilities) at year end stood at a healthy 4.7 : 1.0. We have no debt — of any kind — and own facilities in Andover, Massachusetts and a facility in Sunnyvale, California.

Through the coming year, we expect to see financial performance improvements associated with the efficiency and cost reduction initiatives we are continuing to implement. We have thoroughly reassessed our cost structure and are pursuing every opportunity to improve our use of material, labor, and capital.

OUR OPPORTUNITIES ARE CLEARLY DEFINED.

We are truly differentiated competitively, enabling our customers to gain a competitive advantage through a broad range of advanced power system capabilities. We continue to make significant investments in new products that we believe will shape the future of power systems. We are committed to returning Vicor to robust growth and profitability and have set forth a roadmap for doing so.



Patrizio Vinciarelli
Chairman of the Board, President and Chief Executive Officer
April 30, 2009



This report contains 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. 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 our new technologies in standard products to promote market acceptance of our new approach to power system 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 our 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 matters described in the Company’s Annual Report on Form 10-K.

You should read the risk factors that are set forth in the Company’s most recent Form 10-K, presented herein. However, the risk factors set forth may not be exhaustive. Therefore, the information in the Form 10-K should be read together with other reports and documents that the Company files with the Securities and Exchange Commission (the “SEC”) from time to time, including the Company’s Forms 10-Q and 8-K and Proxy Statements, which may supplement, modify, supersede or update those risk factors. Copies of the Company’s recent SEC filings may be obtained without charge by contacting Investor Relations or through the Investor Relations section of the Company’s website at vicorpower.com under the section titled “SEC Filings”. The Company does not undertake any obligation to update any forward-looking statements as a result of future events or developments.

CORPORATE OFFICERS

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President, Westcor Division

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President, Brick Business Unit

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Douglas W. Richardson

Vice President, Chief Information Officer

James A. Simms

Chief Financial Officer and Secretary

Patrizio Vinciarelli

Chairman of the Board, President and Chief Executive Officer

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Claudio Tuozzolo

President of Picor Corporation

Patrizio Vinciarelli

Chairman of the Board, President and Chief Executive Officer

^a Audit Committee

^c Compensation Committee

COMMON STOCK

Vicor shares are traded on the NASDAQ Stock Market® under the symbol “VICR”.

TRANSFER AGENT

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COUNSEL

Foley & Lardner LLP • Boston, Massachusetts

AUDITORS

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