

VIKING SYSTEMS, INC. (VKSY.OB) ANNOUNCES THIRD QUARTER 2005 FINANCIAL RESULTS

SAN DIEGO-- (BUSINESS WIRE)—November 18, 2005--Viking Systems Inc. (OTCBB:[VKSY - News](#)), a manufacturer of three dimensional laparoscopic vision systems for use in minimally invasive surgery, today announced the financial results for the third quarter of 2005.

For the three months, ended September 30, 2005, the Company reported revenue of \$1.12 million, representing approximately a 3% increase, compared to revenue of \$1.09 million for the three months ended September 30, 2004. Gross profits decreased to \$320 thousand, or 28.6% of total revenues, for the three months ended September 30, 2005, compared to gross profit of \$334, or 30.5% of total revenues, for the three months ended September 30, 2004, representing a decrease of \$13,878. The decrease in gross profit during quarter was due to the increase in royalty expense, in accordance with the Vista Royalty agreement. The Company expects gross profit, as a percentage of revenues, to improve as 3Di System sales increase.

The Company had a net loss of \$2.08 million, or \$(0.06) per share fully diluted, for the three months ended September 30, 2005, compared to a net loss of \$438 thousand, or \$(0.05) per share, fully diluted for the three months ended September 30, 2004. The increase in net loss is attributable to the implementation of the sales and marketing plan, further development and optimization of the 3Di product line, and an increase in interest expense of \$1 million.

For the nine months ended September 30, 2005, revenue increased by approximately \$952 thousand, or 45% to \$3.08 million, compared to revenue of \$2.13 million for the nine months ended September 30, 2004. For the nine months ended September 30, 2005 gross profits increased to \$853 thousand, or 27.7% of total revenues, compared to \$587 thousand, or 27.6% of total revenues, for the nine months ended September 30, 2004.

VKSY had a net loss of \$4.82 million, or \$(0.15) per share fully diluted, for the nine months ended September 30, 2005 compared to a net loss of approximately \$908 thousand, or \$(0.11) per share, fully diluted for the nine months ended September 30, 2004. The increase in net loss to date for 2005 was due to the increase in operating expenses due to nine full months of operations. The Company incurred significant costs, implementing a sales and marketing plan, developing and improving the 3Di product line, and maintaining operations of the visualization business. We also incurred \$1.68 million in non-cash interest expense related to the amortization of the debt discount on the Convertible Notes for the nine months ended September 30, 2005.

Tom Marsh, Viking President & CEO, stated, "During the third quarter we continued to execute our marketing plan and aggressive promotion our flagship product, the EndoSite 3Di Digital Vision System, to new market opportunities in urology and gynecology. We added renowned surgeons to our growing list of 3Di advocates, and we were chosen by the Society of Laparoendoscopic Surgeons as a recipient of the 2005 Innovations of the Year Award. In our first year of commercial development, we continue to build on our pipeline of quality sales opportunities for the 2006 capital spending cycle. With the release of a new camera optimized for complex urology and gynecology procedures, our 3-D vision technology continues to gain acceptance both domestically and internationally."

Conference Call Announcement Reminder

The conference call will take place at 4:15 p.m. EST on Monday, November 21, 2005. Those interested in participating should dial 800-322-0079 if calling within the United States, or 973-935-2100 if calling internationally. Participants should call in approximately 5 to 10 minutes prior to the start of the call. There will be an audio playback of the proceedings available until November 28, 2005. To listen to the playback, please call 877-519-4471 if calling within the United States, or 973-341-3080 if calling internationally. Please use pass code 6726189 for the replay.

The call is also being webcast by ViaVid Broadcasting, and may be accessed through Viking's website at www.vikingsystems.com, or through ViaVid's website at www.viavid.net. The webcast will be available on either site through February 28, 2006. To access the webcast, you will need to have the Windows Media Player on your desktop. For the free download of the Media Player, please visit: www.microsoft.com/windows/windowsmedia/en/download/default.asp.

About Viking Systems Inc.

Viking Systems, Inc. (OTCBB:VKSJ - [News](#)) provides high performance 3-D laparoscopic vision systems to hospitals for minimally invasive surgery (MIS). Our focus is to deliver integrated information, visualization and control solutions to the surgical team, enhancing their capability and performance in MIS and complex surgical procedures. Viking Systems is headquartered in La Jolla, Calif. For more information, please visit the Company's website at www.vikingsystems.com.

Viking

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Tables Follow

VIKING SYSTEMS, INC.
Statements of Operations
(Unaudited)

###	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Sales, net	\$ 1,117,806	\$ 1,094,096	\$ 3,076,622	\$ 2,125,058
Cost of sales	797,936	760,348	2,223,586	1,537,783
Gross profit	319,870	333,748	853,036	587,275
Operating expenses:				
General and administrative	418,928	414,026	1,248,172	826,436
Selling and marketing	734,915	204,765	1,903,956	378,666
Research and development	242,421	152,378	669,701	288,706
Total operating expenses	1,396,264	771,169	3,821,829	1,493,808
Operating loss	(1,076,394)	(437,421)	(2,968,793)	(906,533)
Other income (expense):				
Interest expense	(1,003,649)	(956)	(1,851,581)	(1,707)
Net loss	\$ (2,080,043)	\$ (438,377)	\$ (4,820,374)	\$ (908,240)
Net loss per common share - basic and diluted	\$ (0.06)	\$ (0.05)	\$ (0.15)	\$ (0.11)
Weighted average shares - basic and diluted	33,403,000	9,720,000	32,027,000	8,298,000

VIKING SYSTEMS, INC.
Unaudited Balance Sheet
September 30, 2005

Assets

Current assets:

Cash and cash equivalents	\$ 161,263	
Accounts receivable, net		769,870
Inventories		501,597
Prepays and other current assets		88,134
Total current assets		1,520,864

Property and equipment, net 448,493

\$ 1,969,357

Liabilities and Stockholders' Deficit

Current liabilities:

Accounts payable	\$	762,241	
Accrued expenses			535,419
Short-term bank borrowings			425,686
Convertible notes payable net of debt discount of \$1,071,377			2,178,623
Total current liabilities			3,901,969
Commitment and contingencies			
Stockholders' deficit:			
Preferred stock, \$.001 par value, 25,000,000 shares authorized, no shares issued and outstanding		-	
Common stock, \$.001 par value, 100,000,000 shares authorized; 34,639,050 shares issued and outstanding			34,639
Additional paid-in capital			5,234,544
Deferred Compensation			(66,000)
Accumulated deficit			(7,135,795)
Total stockholders' deficit			(1,932,612)
	\$	1,969,357	