

Viking Systems Reports Financial Results for Second Quarter And First Half of Fiscal 2006

SAN DIEGO – August 24, 2006 – Viking Systems, Inc. (OTCBB: VKSY) reported its financial results for the Company's fiscal 2006 second quarter and six months ended June 30, 2006.

During the period, Viking realigned its corporate management team and infrastructure. The company also more than doubled its direct sales organization in order to build sales of the Company's primary branded product, the 3Di Digital Vision System ("3Di").

The Viking 3Di Digital Vision System is an FDA cleared, advanced three-dimensional ("3-D") surgical vision system used by surgeons for complex minimally invasive surgical procedures, with initial applications in urology, bariatrics, and gynecology. As more complex minimally invasive surgeries are performed with 3-D vision, surgeons and patients are benefiting from shorter operating times and faster recovery periods. Additionally, these efficiencies improve health care economics.

In addition, Viking's Original Equipment Manufacturing (OEM) business division continued assembly and sales of digital vision systems and components to several widely recognized medical instrument companies worldwide.

"During this quarter we focused the Company on the growth ahead," commented Donald E. Tucker, Viking System's newly appointed Chairman, President and Chief Executive Officer. "Viking's innovative and cost effective 3Di solution benefits the surgical community and offers the Company a unique, large scale opportunity. As a result, we took the necessary internal steps including the appointment of valuable management team members and the securing of adequate financing, to position the Company for growth. We are focused on building our sales and continuing to add value as we move forward."

Key Highlights from the Second Quarter and First Half of Fiscal 2006:

- Through the first six months of 2006, Viking has grown its placements of 3Di Digital Vision Systems in outlets around the world by roughly 40% in comparison to the total number of placements of units for the entire previous fiscal year ended December 31, 2005
- Appointed Gregory M. Decker as the Company's Chief Financial Officer, effective May 31, 2006
- Completed its first significant financing with top institutional investors and long-term partners, raising \$7.25 million in capital to grow the business
- Appointed Donald E. Tucker as the Company's President and Chief Executive Officer, effective May 23, 2006

Financial Results for the Second Quarter and Six Months Ended June 30, 2006:

Net sales for the quarter ended June 30, 2006 were \$0.88 million compared to \$1.02 million for the quarter ended June 30, 2005, a decrease of \$0.14 million. For the six months ended June 30, 2006, net sales were \$2.14 million compared to \$1.96 million for the previous six months ended June 30, 2005, an increase of \$0.18 million.

Selling, general and administrative expenses and overall operating expense increased \$0.86 million from \$1.27 million to \$2.13 million for the quarter ended June 30, 2006, compared to the quarter ended June 30, 2005. For the six months ended June 30, 2006, selling, general and administrative expenses and overall operating expenses increased \$1.4 million to \$3.8 million, compared to \$2.4 million for the previous six months ended June 30, 2005 as we continued to hire new employees and to expand our sales and marketing activities.

Net loss for the quarter ended June 30, 2006 was \$4.27 million as compared to \$1.75 million for the quarter ended June 30, 2005. For the six months ended June 30, 2006, net loss was \$8.74 million, compared to \$2.74 million for the six month period ended June 30, 2005. In addition to higher operating expenses, significant non-cash items are included in our net loss for the three and six month periods ended June 30, 2006 compared to the respective periods in 2005.

To review the complete Form 10-Q for Viking Systems, please visit the Securities and Exchange Commission Web site at www.SEC.gov.

About Viking Systems, Inc.

Viking Systems, Inc. is a designer, manufacturer and marketer of FDA-cleared, CE-marked, high-performance laparoscopic vision systems. The Company's primary branded product is the 3Di Digital Vision System, an advanced three-dimensional (3-D) vision system used by surgeons for complex minimally invasive surgery, with an initial focus on applications in urology, gynecology, bariatrics and general surgery. Viking's technology is enhancing overall performance by delivering advanced integrated information, visualization, and control solutions to the surgical team. Viking also manufactures advanced two-dimensional (2-D) 2Di Digital Vision Systems for targeted configurations and channels, as well as 2-D cameras and components, sold through strategic partner and OEM programs.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: This press release includes forward-looking statements including, but not limited to, our ability to execute on our business plan during 2006 and beyond, our strategic planning and business development plans, our future financing needs, impacts on our financial results, and our future growth. These forward-looking statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those described in the forward-looking statements. These risks include, but are not limited to, our ability to market our products, the success of business development efforts, competition in the industry, and our ability to manage growth, as well as the risks and other factors set forth in our periodic filings with the U.S. Securities and Exchange Commission (including our Form 10-KSB for the year ended December 31, 2005 and our Form 10-QSB for the quarter ended June 30, 2006.)

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