

VIKING SYSTEMS COMPLETES RECAPITALIZATION; APPOINTS NEW CEO
Reverse Stock Split Completed; \$2.6 million of common stock sold

Westborough, MA, January 7, 2008—Viking Systems, Inc. (OTCBB: VKNG.OB) a manufacturer of 2D and 3D vision systems for minimally invasive surgery, announced today that it has successfully executed a complete recapitalization of the Company. As a result, the Company has simplified its capital structure by exchanging previously issued preferred stock and debentures for common stock. Additionally, the Company raised \$2.6 million issuing approximately 14.6 million shares of common stock in a private placement. The entire transaction is described in detail in a Form 8-K being filed today by the Company with the Securities and Exchange Commission.

Due to the inability to service its debt, the Company faced the prospect of bankruptcy. In light of this prospect, certain investors in the Company proposed (1) significantly cutting costs and expenses, (2) replacing the Chairman and CEO, (3) redistributing the equity of the Company among the existing debenture, preferred stock and common stock holders, and (4) investing an additional \$2.6 million to be used in 2008 while the Company improves its operations, grows its business and begins generating positive cash flow in the second half of 2008. During the first phase of implementation of this plan in the fourth quarter of 2007, the former CEO and former Board of Directors resigned, and a new four-person Board was appointed.

On Friday, January 4, 2008, Viking Systems' common stock underwent a 1 for 50 reverse split. As of January 7, 2008, the Company stock trades on the OTCBB under the symbol "VKNG.OB". Simultaneously, the Company's convertible debentures and convertible Series B Preferred Stock were voluntarily converted into common stock, resulting in the holders of these former securities owing most of the outstanding common stock of the Company. Immediately thereafter, 14,560,037 newly-issued shares of common stock were sold in a private placement for \$2.6 million, or \$0.179571 per share. A total of 27,858,975 warrants to purchase Viking Systems common stock at \$0.18 per share were also issued in connection with these transactions, and previous warrants held by the debenture and preferred stock holders were cancelled. Viking Systems now has a total of 42,556,587 shares of common stock outstanding following the reverse split and recapitalization.

The Company believes that it now has sufficient liquidity to fund the Company until it can begin to generate positive cash flow in the second half of 2008. The Company estimates revenue of \$11 to \$12 million for 2008 continuing its double digit annual growth rate. Sales in 2006 were reported at \$5.6 million. Preliminary indications are that 2007 sales will represent an approximately 50 percent increase compared with 2006. The 2008 forecast represents 30 to 40 percent year over year growth.

William C. Bopp, Chairman and newly-appointed CEO commented, "A majority of our sales are currently to our OEM partners. These sales consist of visualization solutions

which we develop specifically for medical device companies to include with their minimally invasive surgical products. We also have experienced significant sales growth from our Viking 3D visualization systems through a world-wide network of independent distributors. We anticipate strong sales growth in 2008 through both of these channels.”

In the fourth quarter of 2007 the Company refocused its business and implemented cost reductions as described in its October 15th Form 8-K filing with the SEC. Prior to these changes Viking Systems was approaching its 3D customers through a direct sales force in the U.S., using considerable marketing and promotional spending. Mr. Bopp stated, “Our new strategy is to utilize independent distributors to increase market awareness for this superior visualization system. At the same time, we will continue focusing resources on growing our OEM business.”

Effective January 4, 2008, Mr. William C. Bopp, was appointed Chief Executive Officer of Viking Systems, Inc. Since October 11, 2007 Mr. Bopp has served as Chairman of the Board and he will continue in this role. As part of the \$2.6 million raised in this transaction, Mr. Bopp acquired 9,800,024 shares of the Company’s common stock, and associated warrants, for \$1,750,000. When this purchase is combined with his previous holdings, Mr. Bopp currently owns a total of 14,397,727 shares (33.8%) of the Company’s common stock, all of which are subject to a “lock-up” agreement between Mr. Bopp and the Company until December 15, 2009. Mr. Bopp has executed an employment agreement with the Company with a salary of \$39,000 per year for an initial two-year term, which renews annually automatically, unless terminated by either the Company or Mr. Bopp.

Prior to joining Viking, Mr. Bopp was a private investor. Previously he was with ALARIS Medical Systems, Inc., a developer, manufacturer and marketer of infusion devices and related disposable products, where he had been senior vice president and chief financial officer. Mr. Bopp joined ALARIS in March 1999, as vice president and chief financial officer. He was elected to the position of senior vice president and chief financial officer in November 1999. ALARIS was acquired for approximately \$2.0 billion by Cardinal Health, Inc. (NYSE-CAH) in July 2004, and Mr. Bopp assisted for an additional year with the integration of ALARIS into Cardinal Health before retiring in 2005. Mr. Bopp was formerly executive vice president and chief financial officer of C.R. Bard, Inc. (NYSE-BCR). Since 1980, he held positions of increasing responsibility with Bard, currently a \$2.0 billion developer, manufacturer and marketer of health care products. From 1995 through 1998, he also served as a member of the Board of Directors of Bard and a member of the Finance Committee of the Board. Mr. Bopp is a graduate of Harvard College, Cambridge, MA, and completed his MBA, Finance, from the Harvard Business School.

About Viking Systems, Inc.

Viking Systems, Inc. (OTCBB: VKNG.OB) is a leading worldwide developer, manufacturer and marketer of visualization solutions for complex minimally invasive surgery. The Company partners with medical device companies and healthcare facilities to provide surgeons with proprietary visualization systems enabling minimally invasive surgical

procedures, which reduce patient trauma and recovery time. For more information visit the Company's website at: www.vikingsystems.com

Statements contained in this press release regarding matters that are not historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such statements include, but are not limited to, statements regarding Viking's goals, its prospects for growth and product acceptances. Risks that contribute to the uncertain nature of the forward-looking statements include: risks related to the effectiveness of its distribution channels, its ability to maintain sales momentum, costs associated with internal development, and introduction of competitive products. These and other risks and uncertainties are described more fully in Viking's most recently filed SEC documents, including its Annual Report on Form 10-KSB and Quarterly Reports on Form 10-QSB. All forward-looking statements contained in this press release speak only as of the date on which they were made. Viking undertakes no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they were made.

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