

## **MedQuist Reports Results for the Fourth Quarter and 2009**

MOUNT LAUREL, N.J., March 12 /PRNewswire-FirstCall/ -- MedQuist Inc., (Nasdaq: MEDQ), a leading provider of medical transcription services, and a leader in the technology-enabled clinical documentation workflow, today announced its financial results for the fourth quarter and full year ended December 31, 2009.

"We are pleased with our results for the fourth quarter and full year ended 2009 during which we increased Adjusted EBITDA 41% and 75%, respectively," said CEO Peter Masanotti. "Backed by a competitive set of product offerings, strong sales performance and improved customer retention, our transcription volumes have increased year over year. While declining industry price levels have dampened our revenue results, these declines have been matched with systemic unit cost improvements including increased use of technology and an expanded relationship with our affiliate company CBay yielding the positive Adjusted EBITDA results."

### **Fourth Quarter Results**

Net revenues for the fourth calendar quarter of 2009 were \$73.9 million, a decline of \$5.5 million or 6.9% as compared to the fourth quarter of 2008. We grew transcription volumes during the fourth quarter and experienced lower average pricing.

Operating income for the fourth quarter of 2009 was \$7.1 million compared to an operating loss in the fourth quarter of 2008 of \$79.6 million. Total operating costs and expenses for the fourth quarter of 2009 were \$66.9 million compared to \$76.7 million for the same quarter in 2008 (excluding a goodwill impairment charge of \$82.2 million). The decline of 12.8% from 2008 to 2009 is largely the result of cost reduction programs that significantly reduced cost of revenues as well as most other categories of expense. Cost control and cost reduction programs are ongoing as the Company addresses a very competitive pricing environment for our products and services.

Net income for the fourth quarter of 2009 was \$5.9 million or \$0.16 per diluted share compared to a net loss of \$60.5 million (\$1.61) per diluted share for the fourth quarter of 2008.

Adjusted EBITDA (which is operating earnings (loss) excluding depreciation, amortization of intangible assets, cost of legal proceedings and settlements, net, acquisition related charges, goodwill impairment charge and restructuring charges) increased 41.3% to \$15.7 million in the fourth quarter of 2009 as compared to \$11.1 million reported in the same quarter for 2008.

### **Full Year Results:**

For the year ended December 31, 2009, the company reported \$307.2 million in net revenues or a 6.0% decline when compared to the prior year when \$326.9 million in net revenues were reported. The decline in net revenues is due primarily to lower prices realized for our transcription services and declining maintenance revenues associated with legacy systems that are currently being replaced with enhanced technology solutions at certain customer locations.

Total operating costs and expenses for the year ended December 31, 2009 were \$283.8 million, substantially lower than total operating costs and expenses of \$333.1 million for the year ended December 31 2008 (excluding a goodwill impairment charge of \$82.2 million). The decrease in operating costs and expenses of \$49.2 million or 14.8% (when excluding the goodwill impairment charge of \$82.2 million for the year ended December 31, 2008) was the result of broad cost reduction and restructuring programs that significantly reduced both the cost of revenues and most other categories of expense.

Operating income for the year ended December 31, 2009 was \$23.4 million compared to an operating loss of \$88.4 million for the same period in 2008. Net income for the year ended December 31, 2009 was \$23.3 million or \$0.62 per diluted share compared to a net loss of \$68.8 million or (\$1.83) per diluted share for the same period in 2008.

Adjusted EBITDA for the year ended December 31, 2009 increased 74.8% to \$57.9 million when compared to the \$33.1 million reported for the same period in 2008.

As of December 31, 2009, the Company had \$25.2 million of cash and cash equivalents and no debt.

In addition to the United States generally accepted accounting principles, or GAAP, results provided throughout this document, MedQuist has provided Adjusted EBITDA which is a non-GAAP financial measurement. Management believes that this non-GAAP financial measure used to manage the business may provide our investors with useful information in addition to the GAAP financial measures presented here. The tables attached to this press release include a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure and a description of why we believe the non-GAAP financial measure is useful to investors.

### Forward-Looking Statements

This report contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about us, the industry in which we operate and other matters, as well as management's beliefs and assumptions and other statements regarding matters that are not historical facts. These statements include, in particular, statements about our plans, strategies and prospects. For example, when we use words such as "projects," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "should," "would," "could," "will," "opportunity," "potential" or "may," variations of such words or other words that convey uncertainty of future events or outcomes, we are making forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are only predictions and, as such, are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. For a discussion of these risks, uncertainties and assumptions, any of which could cause our actual results to differ from those contained in the forward-looking statement, see the section of MedQuist's Annual Report on Form 10-K for the year ended December 31, 2009, entitled "Risk Factors" and discussions of potential risks and uncertainties in MedQuist's subsequent filings with the Securities and Exchange Commission.

Web Site: <http://www.medquist.com>

MedQuist Inc. and Subsidiaries  
Consolidated Statements of Operations  
(In thousands, except per share amounts)  
Unaudited

	Three months ended December 31,		For the year ended December 31,	
	2009	2008	2009	2008
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Net revenues	\$73,949	\$79,387	\$307,200	\$326,853
	-----	-----	-----	-----
Operating costs and expenses:				
Cost of revenues	48,272	53,867	206,265	230,375
Selling, general and administrative	7,622	11,074	33,441	47,520
Research and development	2,369	3,346	9,604	15,848
Depreciation	2,086	3,049	9,504	11,950
Amortization of intangible assets	1,635	1,409	6,168	5,554
Cost of legal proceedings and settlements, net	1,403	1,830	14,843	19,738
Acquisition related charges	1,263	-	1,263	-
Goodwill impairment charge	-	82,233	-	82,233
Restructuring charges	2,246	2,137	2,727	2,055
Total operating costs and expenses	66,896	158,945	283,815	415,273

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Operating income (loss)	7,053	(79,558)	23,385	(88,420)
Equity in income of affiliated company	(567)	36	2,015	236
Other income	-	-	-	438
Interest income (expense), net	(170)	(163)	(134)	2,438
	-----	-----	-----	-----
Income (loss) before income taxes	6,316	(79,685)	25,266	(85,308)
Income tax provision	419	(19,234)	1,975	(16,513)
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Net income (loss)	<u>\$5,897</u>	<u>\$ (60,451)</u>	<u>\$23,291</u>	<u>\$ (68,795)</u>
Net income (loss) per share:				
Basic	<u>\$0.16</u>	<u>\$ (1.61)</u>	<u>\$0.62</u>	<u>\$ (1.83)</u>
Diluted	<u>\$0.16</u>	<u>\$ (1.61)</u>	<u>\$0.62</u>	<u>\$ (1.83)</u>
Weighted average shares outstanding:				
Basic	<u>37,556</u>	<u>37,500</u>	<u>37,556</u>	<u>37,549</u>
Diluted	<u>37,556</u>	<u>37,500</u>	<u>37,556</u>	<u>37,549</u>

MedQuist Inc. and Subsidiaries  
Consolidated Balance Sheets  
(In thousands)  
Unaudited

	December 31, 2009	December 31, 2008
	-----	-----
Assets		
Current assets:		
Cash and cash equivalents	\$25,216	\$39,918
Accounts receivable, net	43,627	50,374
Income tax receivable	772	154
Other current assets	4,940	8,053
	-----	-----
Total current assets	74,555	98,499
Property and equipment, net	11,772	15,785
Goodwill	40,813	40,545
Other intangible assets, net	36,307	39,877
Deferred income taxes	1,396	1,204
Other assets	9,818	6,295
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Total assets	\$174,661	\$202,205
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$8,687	\$7,487
Accrued expenses	22,848	24,049
Accrued compensation	12,432	11,204
Deferred income taxes	4	651
Deferred revenue	10,854	15,630
	-----	-----
Total current liabilities	54,825	59,021
Deferred income taxes	3,240	799
Other non-current liabilities	1,848	2,033
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Commitments and contingencies		
Shareholders' equity:		
Common stock - no par value;		
authorized 60,000 shares; 37,556 and		
37,556 shares issued and outstanding,		
respectively	237,848	237,907
Retained earnings (deficit)	(125,854)	(99,198)
Accumulated other comprehensive income	2,754	1,643
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Total shareholders' equity	114,748	140,352
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Total liabilities and shareholders' equity	\$174,661	\$202,205
	=====	=====

MedQuist Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
(In thousands)  
Unaudited

	For the year ended	
	December 31,	
	2009	2008
	----	----
Operating activities:		
Net income (loss)	\$23,291	\$(68,795)
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:		
Depreciation and amortization	15,672	17,504
Equity in income of affiliated company	(2,015)	(236)
Goodwill impairment charge	-	82,233
Deferred income taxes	1,857	(17,091)
Stock option expense	193	1,427
Provision for doubtful accounts	2,306	3,073
Loss on disposal of property and equipment	133	571

Changes in operating assets and liabilities:		
Accounts receivable	4,529	(5,781)
Income tax receivable	(616)	661
Other current assets	3,391	(154)
Other non-current assets	25	134
Accounts payable	1,038	(5,557)
Accrued expenses	(1,200)	(12,701)
Accrued compensation	1,192	(3,559)
Deferred revenue	(4,939)	(272)
Other non-current liabilities	(307)	(211)
	-----	-----
Net cash provided by (used in) operating activities	\$44,551	\$ (8,754)
	-----	-----
Investing activities:		
Purchase of property and equipment	(4,932)	(6,574)
Proceeds from sale of investments	-	692
Capitalized software	(2,582)	(3,411)
Investment in affiliated company	(852)	-
	-----	-----
Net cash used in investing activities	(8,366)	(9,293)
	-----	-----
Financing activities:		
Dividends paid	(49,949)	(103,279)
Debt issuance costs	(1,201)	-
Proceeds from exercise of stock options	-	68
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Net cash used in financing activities	(51,150)	(103,211)
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Effect of exchange rate changes	262	(406)
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Net decrease in cash and cash equivalents	(14,703)	(121,664)
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Cash and cash equivalents - beginning of period	39,918	161,582
	-----	-----
Cash and cash equivalents - end of period	\$25,216	\$39,918
	=====	=====
Supplemental cash flow information:		
Cash paid for income taxes	\$234	\$210
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Accommodation payments paid with credits	\$103	\$740
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MedQuist Inc. and Subsidiaries  
Reconciliation of GAAP financial measures to the non-GAAP measures

Adjusted EBITDA  
(In thousands)  
Unaudited

	Three months ended		For the year ended	
	December 31,		December 31,	
	----- 2009	----- 2008	----- 2009	----- 2008
GAAP operating income (loss)	\$7,053	\$(79,558)	\$23,385	\$(88,420)
Add: Depreciation	2,086	3,049	9,504	11,950
Add: Amortization of intangible assets	1,635	1,409	6,168	5,554
Add: Cost of legal proceedings and settlements, net	1,403	1,830	14,843	19,738
Add: Acquisition related charges	1,263	-	1,263	-
Add: Goodwill impairment charge	-	82,233	-	82,233
Add: Restructuring charges	2,246	2,137	2,727	2,055
Adjusted EBITDA	----- \$15,686 =====	----- \$11,100 =====	----- \$57,890 =====	----- \$33,110 =====

Adjusted EBITDA is a financial measure not computed in accordance with United States generally accepted accounting principles, or GAAP. The Company believes that this non-GAAP measure, when presented in conjunction with comparable GAAP measures, is useful to both management and investors in analyzing the Company's ongoing business and operating performance. The Company believes that providing the non-GAAP information to investors, in addition to the GAAP presentation, allows investors to view the Company's financial results in the way that management views financial results. Management believes Adjusted EBITDA is useful as supplemental measures of the Company's financial results because it removes costs not related to the Company's operating performance. Management believes that Adjusted EBITDA should be considered in addition to, but not as a substitute for items presented in accordance with GAAP that are presented in this press release. A reconciliation of Adjusted EBITDA to Operating income (loss) is provided above.

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