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## MedQuist Reports First Quarter 2010 Results

*Mount Laurel, N.J., May 11, 2010* -- MedQuist Inc., (NASDAQ: MEDQ) a leading provider of medical transcription services, and a leader in the technology-enabled clinical documentation workflow announced its financial results for the first quarter ended March 31, 2010.

“We are pleased with our results for the first quarter of 2010. We increased Adjusted EBITDA <sup>(Note A)</sup> 6.5% over the prior year same quarter,” said CEO Peter Masanotti. “Our transcription volumes increased when compared to the prior year first quarter due to our competitive set of product offerings, strong sales performance and improved customer retention. While declining industry prices have dampened our revenue results, we made unit cost improvements through the increased use of technology and an expanded relationship with our affiliate company CBay yielding the growth in Adjusted EBITDA <sup>(Note A)</sup>.”

Net revenues for the three months ended March 31, 2010 declined \$5.0 million or 6.3% to \$74.0 million compared to \$78.9 million for the three months ended March 31, 2009. We grew transcription volumes during the 2010 first quarter compared to the prior year despite poor weather in February along most of the east coast that negatively impacted our volume that month. The decline in net revenues is due primarily to lower prices realized for our transcription services and declining maintenance services revenues associated with the migration from legacy products to enhanced technology solutions at certain customer locations.

Operating income for the first quarter of 2010 improved to \$7.3 million when compared to \$7.2 reported for the first quarter of 2009. Total operating costs and expenses declined by 7.1% down to \$66.6 million from \$71.7 million reported in the prior year first quarter. The 2010 first quarter decline in costs and expenses compared to the same quarter last year is largely the result of ongoing cost reduction programs, more fully described in the paragraphs set forth below:

- Cost of revenues decreased \$4.1 million or 7.5% to \$49.8 million for the first quarter of 2010 compared with \$53.9 million for the first quarter of 2009. This decrease was the result of headcount reductions taken in 2009 to better align our overhead costs with lower revenue levels, lower transcription costs due to increased use of speech recognition technology, and an increase in the processing of our outsourced medical transcription volumes by our international labor partners, offset by a one time benefit in 2009 for the release of prior period accruals of \$1.0 million.
- Selling, general and administrative costs decreased \$0.6 million or 6.8% to \$8.8 million for the first quarter of 2010 compared to \$9.4 million for the first quarter of 2009. The decrease was due primarily to decreases of professional and legal fees, building rent, and audit fees.

- Research and development costs decreased \$0.1 million or 5.6% to \$2.3 million for the first quarter of 2010 compared with \$2.4 million for the first quarter of 2009. The decrease was primarily due to maintenance contracts with third party vendors.
- Cost of legal proceedings and settlements, decreased \$0.9 million to \$1.0 million for the first quarter of 2010 compared with \$1.9 million for the first quarter of 2009. This decrease in costs was due primarily to a reduction of legal fees in the 2009 period regarding a patent claim.

Net income for the first quarter of 2010 was \$7.3 million or \$0.20 per diluted share compared to \$6.8 million and \$0.18 per diluted share reported in the prior year comparable period.

Adjusted EBITDA <sup>(Note A)</sup> increased 6.5% to \$13.1 million for the first quarter of 2010 compared to \$12.3 million for the first quarter of 2009.

On April 22, 2010, MedQuist and its majority shareholder, CBay Inc., completed the acquisition of substantially all of the assets of Spheris, Inc. The purchase price for the assets acquired by us was approximately \$116.3 million, consisting of approximately \$98.8 million in cash, including the \$7.5 million required transaction deposit, plus promissory notes in the face amount of \$17.5 million. "We are excited about our successful acquisition of Spheris. We will continue to provide Spheris' customers with uninterrupted quality service. In addition we expect Spheris Customers will benefit from the best-in-class extensive suite of services and technologies that we already provide to our customers. We welcome the Spheris employees and believe their addition will further strengthen our management team," said Mr. Masanotti.

We financed the acquisition through a \$100.0 million credit facility consisting of \$50.0 million term loan and \$50.0 million revolving credit agreement.

When MedQuist entered into the credit facility, the company terminated its five-year \$25 million revolving credit agreement with Wells Fargo Foothill, LLC dated August 31, 2009.

In addition to the United States generally accepted accounting principles, or GAAP, results provided throughout this document, MedQuist has provided Adjusted EBITDA <sup>(Note A)</sup> 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.

#### Note A

Adjusted EBITDA is Net income excluding taxes, interest, equity in income of an affiliated company, depreciation, amortization, cost of legal proceedings and settlements, acquisition related charges, restructuring charges and certain non-recurring accrual reversals.

#### 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.

<b>MedQuist Inc. and Subsidiaries</b>			
<b>Consolidated Statements of Operations</b>			
<b>(In thousands, except per share amounts)</b>			
<b>Unaudited</b>			
		<b>Three months ended</b>	
		<b>March 31,</b>	
		<b>2010</b>	<b>2009</b>
Net revenues		\$ 73,981	\$ 78,944
Operating costs and expenses:			
Cost of revenues		49,833	53,868
Selling, general and administrative		8,797	9,438
Research and development		2,281	2,416
Depreciation		1,910	2,552
Amortization of intangible assets		1,820	1,511
Cost of legal proceedings and settlements		1,043	1,924
Acquisition related charges		894	-
Restructuring charges		60	-
Total operating costs and expenses		66,638	71,709
Operating income		7,343	7,235
Equity in income of affiliated company		514	72
Interest income (expense), net		(146)	46
Income before income taxes		7,711	7,353
Income tax provision		367	499
Net income		\$ 7,344	\$ 6,854
Net income per share:			
Basic		\$ 0.20	\$ 0.18
Diluted		\$ 0.20	\$ 0.18
Weighted average shares outstanding:			
Basic		37,556	37,556
Diluted		37,556	37,556

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

	<b>March 31,</b>	<b>December 31,</b>
	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 21,726	\$ 25,216
Accounts receivable, net of allowance of \$2,984 and \$3,159, respectively	43,897	43,627
Income tax receivable	283	772
Other current assets	5,299	4,940
Total current assets	<u>71,205</u>	<u>74,555</u>
Property and equipment, net	10,758	11,772
Goodwill	40,723	40,813
Other intangible assets, net	36,032	36,307
Deferred income taxes	1,312	1,396
Other assets	17,769	9,818
Total assets	<u>\$ 177,799</u>	<u>\$ 174,661</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 7,544	\$ 8,687
Accrued expenses	22,634	22,848
Accrued compensation	10,495	12,432
Deferred income taxes	4	4
Deferred revenue	10,112	10,854
Total current liabilities	<u>50,789</u>	<u>54,825</u>
Deferred income taxes	3,424	3,240
Other non-current liabilities	1,745	1,848
Commitments and contingencies		
Shareholders' equity:		
Common stock - no par value; authorized 60,000 shares; ##### and ##### shares issued and outstanding, respectively	237,896	237,848
Accumulated deficit	(118,510)	(125,854)
Accumulated other comprehensive income	2,455	2,754
Total shareholders' equity	<u>121,841</u>	<u>114,748</u>
Total liabilities and shareholders' equity	<u>\$ 177,799</u>	<u>\$ 174,661</u>

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

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Operating activities:</b>		
Net income	\$ 7,344	\$ 6,854
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	3,730	4,063
Equity in income of affiliated company	(514)	(72)
Deferred income tax provision	182	309
Stock option expense	48	48
Provision for (recovery of) doubtful accounts	779	(105)
Loss on disposal of property and equipment	-	24
Changes in operating assets and liabilities:		
Accounts receivable	(1,035)	3,920
Income tax receivable	483	(20)
Other current assets	(166)	923
Other non-current assets	65	(18)
Accounts payable	(819)	392
Accrued expenses	(482)	(1,739)
Accrued compensation	(1,938)	930
Deferred revenue	(766)	(1,424)
Other non-current liabilities	(84)	63
Net cash provided by operating activities	<u>\$ 6,827</u>	<u>\$ 14,148</u>
<b>Investing activities:</b>		
Purchase of property and equipment	(1,737)	(1,393)
Capitalized software	(925)	(766)
Deposit for Spheris Acquisition	<u>(7,500)</u>	<u>-</u>
Net cash used in investing activities	<u>(10,162)</u>	<u>(2,159)</u>
<b>Financing activities:</b>		
Debt issuance costs	<u>(195)</u>	<u>-</u>
Net cash used in financing activities	<u>(195)</u>	<u>-</u>
Effect of exchange rate changes	<u>40</u>	<u>(53)</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,490)</u>	<u>11,936</u>
Cash and cash equivalents - beginning of period	<u>25,216</u>	<u>39,918</u>
Cash and cash equivalents - end of period	<u>\$ 21,726</u>	<u>\$ 51,854</u>
<b>Supplemental cash flow information:</b>		
Cash paid (recovered) for income taxes	<u>\$ (695)</u>	<u>\$ (131)</u>
Accommodation payments paid with credits	<u>\$ -</u>	<u>\$ 61</u>

