MDC PARTNERS INC
Form 40-F
May 10, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

[X] ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003 Commission File Number 001-13718

MDC PARTNERS INC.
(Exact name of Registrant as specified in its charter)

Ontario	2751	Not Applicable
(Province or other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

45 Hazelton Avenue
Toronto, Ontario, Canada
M5R 2E3
(416) 960-9000
(Address and telephone number of Registrants' principal executive offices)

Ashton-Potter USA Ltd.
10 Curtwright Drive
Williamsville, NY 14221
(716) 633-2000
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each Exchange on which Registered:
None	

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Class A Subordinate Voting Shares, without par value

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

For annual reports, indicate by check mark the information filed with this Form:

[X] Annual information form [X] Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by this annual report.

The Registrant had 18,369,451 Class A Subordinate Voting Shares outstanding as at December 31, 2003

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the filing number assigned to the registrant in connection with such Rule.

Yes ______ 82- ______ No X

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _______

DOCUMENTS FILED UNDER COVER OF THIS FORM

Document No. 1:	Annual Information Form for the year ended December 31, 2003, dated April 30, 2004.
Document No. 2:	Audited Financial Statements for the financial year ended December 31, 2003, prepared in accordance with Canadian generally accepted accounting principles, and reconciled to United States generally accepted accounting principles in accordance with Item 17 of Form 20-F.
Document No. 3:	Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2003.

Document No. 1

MDC PARTNERS INC.

ANNUAL INFORMATION FORM

2004

April 30, 2004

MDC PARTNERS INC.

2004 ANNUAL INFORMATION FORM

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MDC PARTNERS INC.

2004 ANNUAL INFORMATION FORM

THE COMPANY

MDC Partners Inc. ("MDC" or the "Company") was formed by Certificate of Amalgamation effective December 19, 1986 pursuant to the Business Corporations Act (Ontario). Effective December 19, 1986, the Company amalgamated with Branbury Explorations Limited, and thereby became a public company. The registered and principal office of the Company is located at 45 Hazelton Avenue, Toronto, Ontario, M5R 2E3, and its telephone number is (416) 960-9000. The Company has amended its articles in the following instances:

(a) by Certificate of Amendment dated March 4, 1987, changing its name to MDC Corporation and further reorganizing its share capital changing its issued and outstanding common shares into Class A Subordinate Voting Shares and Class B Shares (each in an unlimited amount) and creating an unlimited number of non-voting preference shares, issuable in series, in an unlimited number, having those designations, preferences, rights, restrictions, conditions, limitations and other attributes as determined by the board of directors of the Company;

(b) by Certificate of Amendment dated May 31, 1988, creating "coattail" provisions to the Class A Subordinate Voting Shares of the Company;

(c) by Certificate of Amendment dated February 23, 1989, creating the first series of preference shares of the Company, designated as "Series 1 Preference Shares", and fixing the rights, privileges, restrictions and conditions attaching thereto;

(d) By Certificate of Amendment dated May 12, 1989, creating the second series of preference shares of the Company, designated as "Series 2 Preference Shares" and fixing the rights, privileges, restrictions and conditions attaching thereto;

(e) by Certificate of Amendment dated May 31, 1990, amending the preferences, rights, conditions, limitations and prohibitions attaching to the preference shares of the Corporation as a class;

(f) by Certificate of Amendment dated May 31, 1990, amending the provisions attaching to the Company's Series 1 Preference Shares;

(g) by Certificate of Amalgamation dated November 30, 1990, amalgamating the Company with its wholly-owned subsidiaries, MDC Production Services Limited and MDC Industries Inc.;

(h) by Certificate of Amendment dated September 3, 1991, empowering the directors of the Company to determine the number of directors to be elected at each annual meeting of shareholders, subject to the articles of the Company;

(i) by Certificate of Amendment dated February 27, 1992, amending the provisions attaching to the Company's Series 1 Preference Shares;

(j) by Certificate of Amendment dated January 7, 1992, clarifying the provisions attaching to the Class A Shares and the Class B Shares and redesignating the Class A Shares as "Class A Subordinate Voting Shares";

(k) by Certificate of Amalgamation dated January 1, 1996, amalgamating the Company with its wholly-owned subsidiary, Mercury Graphics Corporation;

(l) by Certificate of Amendment dated May 28, 1996, changing its name to MDC Communications Corporation and consolidating its share capital, Class A Subordinate Voting Shares and Class B Shares, on a one-for-six basis;

(m) by Certificate of Amalgamation dated January 1, 1999, amalgamating the Company with its wholly-owned subsidiary, MDC D&H Regal Inc.;

(n) by Certificate of Amendment dated May 28, 1999, changing its name to MDC Corporation Inc.;

(o) by Certificate of Amendment dated March 16, 2000, creating the third series of preference shares of the Company, designated as "CyberSight-MDC Exchangeable Preference Shares" and fixing the rights, privileges, restrictions and conditions attaching thereto; and

(p) by Certificate of Amalgamation dated January 1, 2004, amalgamating MDC Corporation Inc. with its wholly-owned subsidiary, MDC Partners Inc.

PRINCIPAL OPERATING SUBSIDIARIES

The following are the principal operating subsidiaries and affiliates of the Company together with the percentage of voting securities/interests thereof which are owned, directly or indirectly, by the Company as of December 31, 2003 and the jurisdiction of incorporation/formation of each:

Name of Subsidiary or Affiliate	Percentage of Voting Securities/Interests	Juri Inc F
Ashton-Potter Canada Ltd.	100.0	
Ashton-Potter (USA) Ltd.	100.0	
Computer Composition of Canada Inc.	100.0	

Metaca Corporation	100.0	
Placard Pty Ltd.	100.0	A
Pro-Image Corporation	100.0	
Maxxcom Inc.	100.0	
Accent Marketing Services, L.L.C.	50.1	
Accumark Promotions Group Inc.	55.0	
Allard Johnson Communications Inc.	54.3	
Ambrose Carr Linton Carroll Inc.	100.0	
Bratskier & Company, Inc.	100.0	
Bryan Mills Group Ltd.	68.0	
Colle & McVoy, Inc.	100.0	M
Crispin, Porter Bogusky, LLC	49.0	
Fletcher Martin Ewing LLC	70.0	
Integrated Healthcare Communications, Inc.	70.0	
Interfocus Network Limited	100.0	
Mackenzie Marketing, Inc.	100.0	
Margeotes/Fertitta + Partners LLC	80.0	
Northstar Research Partners Inc.	50.1	
Chinnici Direct, Inc.	100.0	
Source Marketing LLC	87.7	
TargetCom LLC	80.0	
Veritas Communications Inc.	58.8	
656712 Ontario Limited, o/a "Strategies International"	85.0	

BUSINESS OF THE COMPANY

The Company carries on business through two operating divisions: Marketing Communications Division and Secure Products International Division.

Over the last three years, the business of the Company has developed chronologically as follows:

Date	Development
January 15, 2001	The Company, through Maxxcom Inc., acquired

	49% of Crispin Porter + Bogusky LLC ("CF+P"), a Miami-based advertising agency.
February 12, 2001	The Company acquired 100% of NBS Canada Inc., the Canadian card services unit of Mist Inc., a supplier of plastic cards and personalization services to financial institutions and retailers in Canada and the United States.
February 16, 2001	All outstanding CyberSight-MDC Exchangeable Preference Shares of the Company were exchanged into common shares of CyberSight. The Company then acquired additional shares of Cybersight. The Company issued 933,337 Class A Subordinate Voting Shares as part of the total consideration.
March, 1, 2001	The Company, through Maxxcom Inc., acquired 100% of The Marketing Department LLC, a sales promotion company located in Greenwich, Connecticut.
April 5, 2001	Maxxcom Inc. issued 1,333,333 common shares from treasury to 1451946 Ontario Inc., a wholly-owned subsidiary of the Company, for gross proceeds of CDN$10,000,000.
June 15, 2001	Maxxcom Inc. acquired certain assets of McCool Communications, Inc., an advertising business located in Atlanta, Georgia.
July 25, 2001	The Company, through Maxxcom Inc., acquired 79.17% of Grange Advertising Limited, an advertising and direct marketing company located in London, England.
December 17, 2001	MDC completed the disposition of its discontinued operations, Regal, for gross proceeds of approximately CDN$36,000,000.
December 19, 2001	The Company completed the sale of a 45.45% interest in the Canadian cheque operations of Davis + Henderson (D+H) through an income trust offering for gross proceeds of approximately CDN$250,000,000.
January 10, 2002	The Company sold an additional 4.54% interest in Davis + Henderson, Limited Partnership, through the exercise of the underwriters' over-allotment option, for gross proceeds of approximately CDN$17,200,000.
April 2, 2002	The Company sold its remaining 50.01% interest in Davis + Henderson, Limited Partnership for gross proceeds of approximately CDN$200,000,000.
April 9, 2002	The Company completed the repurchase of US$112,500,000 of its 10.5% Senior Subordinated Notes due December 1, 2006 at 89% of the original principal amount.

April 30, 2002	The Company, through Maxxcom Inc., disposed of its 100% interest in Wernimont & Paullus Inc., located in Cedar Rapids, Iowa.
May 30, 2002	The Company, through Maxxcom Inc., disposed of its 100% interest in News Canada Inc., located in Toronto, Ontario.
June 28, 2002	The Company completed the sale of Ashton-Potter Packaging.
July 16, 2002	Maxxcom Inc. completed a rights offering to holders of its common shares. Under the rights offering, 16,777,550 common shares were subscribed for at a price of CDN$1.60 per share resulting in total gross proceeds of CDN$26,844,000. MDC subscribed for its pro rata entitlement, an additional investment of CDN$25,000,000.
July 19, 2002	The Company completed the sale of A.E. McKenzie Co. Inc. for gross proceeds of approximately CDN$8,000,000
September 20, 2002	The Company completed the sale of its U.K. stamp operations.
September 30, 2002	The Company completed the divestiture of its Australian ticketing operation.
May 29, 2003	The Company completed an initial public offering of Custom Direct, its U.S.-based direct-to-consumer cheque operation, through Custom Direct Income Fund (the "Fund") for gross proceeds, including the exercise of the underwriters' over-allotment option, of approximately US$128,000,000. After this transaction, MDC owned a 29.6% interest in the Fund, and a 20% subordinated interest in Custom Direct.
June 30, 2003	The Company redeemed the remaining US$86,400,000 of its 10.5% Senior Subordinate Notes due December 1, 2006 for approximately US$89,500,000.
July 31, 2003	The Company completed the sale of its 29.6% interest in the Fund for gross proceeds of approximately US$21,300,000.
July 31, 2003	The Company acquired the remaining 26% of Maxxcom Inc. that it did not already own by way of a plan of arrangement. Pursuant to the arrangement, Maxxcom shareholders, other than MDC, received 1 MDC Class A Subordinate Voting Share for every 5.25 Maxxcom common shares they owned, resulting in the issuance by MDC of approximately 2,470,000 Class A Subordinate Voting Shares.
September 30, 2003	The Company acquired the remaining 15% of

	Metaca Corporation that it did not already own.
December 8, 2003	The Company completed the offering of 3,903,451 Adjustable Rate Exchangeable Securities due December 31, 2028 for total net proceeds of approximately CDN$31,700,000. The securities paid interest monthly at a rate equal to the actual distribution by the Fund in that month and a holder of an Exchangeable Security had the right to exchange the security for a unit of the Fund once MDC was entitled to effectively exchange its 20% ownership of Custom Direct into units of the Fund.
January 29, 2004	The Company purchased a 60% interest in kirshenbaum bond + partners for cash consideration of approximately US$21,000,000 and share consideration of approximately US$1,800,000.
February 13, 2004	The Company redeemed all of the Adjustable Rate Exchangeable Securities due December 31, 2028 for units of the Fund, divesting of its remaining 20% ownership in Custom Direct.
February 25, 2004	The Company's controlling shareholder, Miles Nadal, completed the conversion of 100% of the Class B multiple voting shares of the Company owned indirectly by him into Class A Subordinate Voting Shares on a one-for-one basis, without any cash or non-cash consideration.
March 29, 2004	The Company acquired an additioanl 39.3% ownership interest in Accent Marketing Services LLC, increasing its total ownership interest in this subsidiary from 50.1% to approximately 89.4%.
March 31, 2004	The Company acquired a 19.9% interest in Cliff Freeman & Partners LLC.

BUSINESS OPERATIONS OF THE COMPANY

MDC is a publicly traded international organization with operating units in Canada, the United States, the United Kingdom and Australia. MDC is a leading provider of marketing communications services, and secure transaction products and services, to customers in more than 60 countries. MDC carries on business through two operating divisions:

i. Marketing Communications Division; and
ii. Secure Products International Division

Marketing Communications Division

MDC Partners Inc. is the largest full-service marketing communications organization based in Canada. Its subsidiaries provide a comprehensive range of communications services in Canada, the United States and the United Kingdom. Marketing communication services include advertising, direct marketing, database management, sales promotion, corporate communications, marketing research, corporate identity and branding, and interactive marketing.

The Marketing Communications Division operates through its integrated communications and its specialized communications companies. The Company's integrated communications operating companies are listed below.

Integrated Communications Companies

Companies comprising MDC's integrated communications businesses deliver solutions to clients using a variety of marketing communications services. By carefully analyzing the requirements of each client, they select and combine the relevant services to ensure consistency in the delivery of the client's image and brand. Because the integrated companies offer a full range of services, the solutions they deliver are client-based, not service-based. As a result, profitability is measured on a client basis, and not on a service basis.

The integrated communications companies of the Marketing Communications Division are listed below.

Allard Johnson Communications Inc.
In 1999, LBJ.FRB Communications Inc., a Marketing Communications Division operating company since 1992, merged with Allard et Associes Inc. to form Allard Johnson Communications Inc. ("Allard Johnson"). Allard Johnson is a Canadian integrated communications services agency, providing advertising, sales promotion, direct marketing and interactive services in the fields of consumer products, financial services, wellness and social marketing. Clients include Dairy Farmers of Canada, RBC Royal Bank and Wal-Mart.

Ambrose Carr Linton Carroll Inc.
Ambrose Carr Linton Carroll Inc. ("ACLC") is a Canadian integrated communications services agency, providing advertising, sales promotion, collateral, point-of-sale and direct marketing for a broad range of clients. Agency clients include Honda, Acura, Swiss Chalet, Hershey, Paramount Canada's Wonderland and Toshiba. MDC acquired ACLC in 1992.

Colle & McVoy, Inc.
Colle & McVoy, Inc. ("CMI") founded in 1935, is a U.S. full-service, integrated marketing communications services agency, providing business planning, advertising, corporate communications, direct response, public relations, interactive and sales productivity development services. Clients include 3M, Case New Holland, Cenex, the Minnesota Office of Tourism, Pfizer, Nestle, Purina, the Red Wing Shoe Company and Winnebago. CMI was purchased by MDC in 1999.

Cormark Communications Inc.
Cormark Communications Inc. ("Cormark") was launched in 1978 and was acquired by MDC in 1994. Cormark is a Canadian integrated communications services agency, providing advertising and direct marketing services to a wide variety of clients. Clients include Ayerst Animal Health, Bridgestone/Firestone Canada, Canadian Wheat Board, Ontario Lottery and Gaming Corporation and Northland Mall.

Fletcher Martin Ewing LLC.
Fletcher Martin Ewing LLC ("Fletcher Martin") was founded in 1979 and acquired by MDC in 1999. Fletcher Martin is a U.S. integrated communications services agency, providing strategic consulting, advertising, sales promotion and corporate communications services. Clients include Arby's, Mrs. Winner's/Lee's Chicken, Piccadilly Cafeterias, Precept Golf and the Suntory Water Group.

Interfocus Group Limited.
Interfocus Group Limited ("Interfocus") is an U.K. integrated communications services agency, providing brand and marketing consulting, advertising, design,

sales promotion, direct marketing, new media and sponsorship services. Clients include Lloyds TSB, Panasonic, Scottish Life and Xerox. The Company acquired its interest in Interfocus in 2000.

Mackenzie Marketing, Inc.
Mackenzie Marketing, Inc. ("Mackenzie Marketing") was founded in 1997 and acquired by the Company in 2000. Mackenzie Marketing is a U.S. integrated communications services agency, providing strategic consulting, advertising, sales promotion and corporate communications services to clients primarily in the financial services industry. Clients include American Express, Best buy, Blue Cross/Green Shield, Paisley Consulting, Bank One Corporation, J.P. Morgan Chase, Transamerica Financial Institutions, U.S. Bancorp and Wells Fargo.

Margeotes/Fertitta + Partners LLC.
Margeotes/Fertitta + Partners LLC ("Margeotes/Fertitta") was founded in 1973 and acquired by MDC in 1998. Margeotes/Fertitta is a U.S. integrated communications services agency, providing advertising, sales promotion and corporate communications services to clients in the packaged goods, financial services, online services and entertainment industries. Clients include Bacardi, Godiva Chocolatier, The McGraw Hill Companies, Putnam Investments and Triton PCS.

Specialized Communications Services Companies

The companies comprising the Company's specialized communications services businesses are focused on an individual marketing communications discipline. These companies are selected by clients for their depth of expertise in their respective disciplines. Specialized communications have been traditionally labeled the "below the line" component of the marketing communications services industry. The Company's specialized communications companies are listed below.

Advertising

Cliff Freeman & Partners.
Cliff Freeman & Partners, which operates with the credo "Entertainment sells," has long been recognized for its creative brilliance and has won numerous national and international advertising awards. Cliff Freeman & Partners' inspired creative and inspired ideas have consistently helped clients at critical crossroads, launching or re-launching brands in extremely competitive environments. Current and former clients include Little Caesar's, Turner Broadcasting Systems, Mohegan Sun, Designer Shoe Warehouse, Fox Sports and The Sports Authority.

Crispin Porter + Bogusky LLC.
Crispin Porter + Bogusky LLC ("Crispin Porter"), founded in 1965, is a U.S. specialized corporate communications firm, providing advertising services to a wide variety of clients. Its clients include IKEA, Sirius Satellite Radio, MINI (a division of BMW North America), Molson U.S.A., Virgin Atlantic Airways, Burger King and the American Legacy Foundation. The Company acquired its interest in Crispin Porter in 2001.

kirshenbaum bond + partners
kirshenbaum bond + partners creates creates non-traditional marketing programs for clients through four complementary units - kirshenbaum bond (advertising, with offices in New York and San Francisco), The Media Kitchen (media management), LIME Public Relations + Promotions and Dotglu (interactive and direct marketing). Current and former clients include Verizon SuperPages, The Andrew Jergens Company, Citibank, Aadvantage, Liberty Mutual, Song Airways, Timex, Vegas.com, Cisco Systems, Wyndham Hotels & Resorts, Snapple, Kenneth Cole, Coach, Hennessy, The Meow Mix Company and Target.

Direct Marketing/Database Management

Accent Marketing Services, L.L.C.
Headquartered in Jeffersonville, Indiana, and founded in 1993, Accent Marketing Services, L.L.C. ("Accent") was acquired by MDC in 1999. Accent is an international customer relationship management company that designs, develops and implements complete customer service and direct marketing campaigns to acquire, retain and develop its clients' customers. With six domestic customer contact centres and one near-shore location, Accent is experienced in providing world class inbound and outbound calling programs for Fortune 1000 companies worldwide. Accent focuses on delivering a value-added approach to customer lifecycle management, utilizing both the contact centre capabilities and the direct marketing/direct mail assets of the business. Clients include Sprint, Maytag, Murray Lawn Care, US Cellular and Whirlpool.

Chinnici Direct, Inc.
Founded in 1980, Chinnici Direct, Inc. ("Chinnici") is an U.S. specialized corporate communications firm, providing direct marketing servicing to a variety of industries. Clients include Barnes & Noble, Chase Manhattan Bank, CNA Insurance, Pantone and Reed Exhibitions. The Company acquired its interest in Chinnici in 2000.

TargetCom LLC.
TargetCom LLC ("TargetCom") was established in 1988. TargetCom is a U.S. specialized corporate communications firm, providing direct marketing services specializing in very targeted delivery of meaningful and relevant messages to customers. Clients include Citibank, Chicago Tribune, Cancer Treatment Centers of America, Transunion, U.S. Cellular and Spiegel. The Company acquired TargetCom in 2000.

Sales Promotion

Accumark Promotions Group Inc.
Accumark Promotions Group Inc. ("Accumark") is a Canadian specialized corporate communications firm providing promotional marketing services including strategic consulting, trade, sales force and consumer promotional programs, in-store merchandising and point-of-sale material, food service marketing and event marketing. Accumark was acquired by MDC in 1993. Clients include Campbell Soup Company, Kraft and Pfizer.

eSource Drive to Web Marketing LLC.
Launched in 2000, this start-up is focused on attracting new customers to e-commerce sites and encourages loyalty among existing customers of e-commerce brands. Its clients include TD Waterhouse.

Source Marketing LLC.
Source Marketing LLC ("Source") is a U.S. full-service marketing services firm, specializing in promotional, retail, event, direct and other business building marketing services. Clients include AOL, Chase Bank, Beiersdorf, Discovery, Time Warner Cable, Mattel, Reckitt Benckiser and Schering Plough. MDC acquired its interest in Source in 1998.

Corporate Communications

Bratskeir & Company, Inc.
Bratskeir & Company, Inc. ("Bratskeir"), established in 1989, is a U.S. specialized corporate communications firm servicing a wide variety of industries. Clients include 1-800-Flowers.com, Bristol-Myers Squibb, ConAgra, Conoco-Phillips, Fox Sports, Hasbro Toys, Maybelline, and Unilever. The Company

acquired Bratskeir in 2000.

Bryan Mills Group Ltd.
Bryan Mills Group Ltd. ("Bryan Mills") is a financial communications firm which provides consulting, speaker support and logistics for investment road shows and shareholder meetings and specializes in investor relations, consulting and writing for conference call scripts, quarterly reporting, print and on-line annual reports and corporate websites. Bryan Mills is the 2003 winner of "Best Canadian Annual Report" and Best Canadian Annual Report for Sustainable Development Reporting." Clients include CIBC, Four Seasons Hotels, MDS, Shoppers Drug Mart, Alliance Atlantis, ATI and Dofasco. MDC acquired its interest in Bryan Mills in 1989.

Veritas Communications Inc.
Launched in 1993, Veritas Communications Inc. is a Canadian public relations and public affairs agency, providing media relations, corporate communications and government relations to organizations in the consumer, financial and health care categories. Clients include Certified Management Accountants of Canada (CMA), Lakeport Breweries Central Park Lodges and Shire BioChem.

Research and Consulting

Integrated Healthcare Communications, Inc.
Integrated Healthcare Communications, Inc. ("IHC") is a Canadian specialized corporate communications firm, providing continuing medical education services to physicians, other health care providers and consumers of health care services for health care clients. Clients include GlaxoSmithKline, Merck, Pfizer and Wyeth-Ayerst. IHC joined the Company in 1997.

Northstar Research Partners Inc.
Northstar Research Partners Inc. ("Northstar") was founded in 1998 and was acquired by MDC in 1998. Northstar is a firm that provides market research and consulting services to a select group of international clients.

Branding and Corporate Identity

Strategies International
Founded in 1986 and acquired by MDC in 1992, Strategies International ("Strategies") is a Canadian brand and corporate identity company, specializing in brand and corporate identity services, including packaging, branding, naming, signage and collateral materials. Clients include Tim Hortons, Parmalat North America, McNeil Consumer Healthcare, Heinz, Moosehead Breweries, Scott Paper Limited, Revlon Canada, Ganong Bros., Limited, Shur Gain Pet Food and Atlas Wine Merchants.

Other Companies

Computer Composition of Canada Inc.
Computer Composition of Canada Inc. ("Computer Composition") is an information processing company which performs data-based management, information processing, desktop publishing, text storage and typesetting activities. Computer Composition's text storage and typesetting technology allows it to produce journals, books and other documents for the legal and specialty publishing industry. Computer Composition has been in business since 1982.

Pro-Image Corporation
This company serves the U.S. market and specializes in pre-press services for publishers of educational, engineering and reference textbooks as well as technical and medical journals.

Secure Products International Division

The Secure Products International Division provides security products and services in three primary areas: electronic transaction products, such as credit, debit, telephone and smart cards; secure ticketing products, such as airline, transit and event tickets; and stamps, both postal and excise.

Electronic Transaction Products

Metaca Corporation provides security card manufacturing and personalization for plastic and smart card programs. With operations in both Canada and Australia, MDC is a market leader in card solutions for a broad range of business segments including banks, credit card companies, long distance and mobile telecommunication providers, insurance companies and governments. The Australian operations consist of Placard Pty Ltd.

Secure Ticketing Products

MDC participates in the global secure ticketing business through its Canadian operation Mercury Graphics. Mercury Graphics manufactures secure ticketing products in three major industry segments: airline, transit and event ticketing. Mercury's clients include Air Canada, British Airways, Northwest Airlines, Virgin Atlantic Airways, Toronto Transit Commission, BC Transit, Tampa Bay Buccaneers, Detroit Red Wings, Chicago Bulls, Boston Celtics, Los Angeles Dodgers and San Francisco 49ers.

Stamps

The MDC stamp companies, consisting of Ashton-Potter (USA) Ltd. and Ashton-Potter Canada Limited, comprise one of the world's largest private sector manufacturers of postage stamps. The group has a long-term contract with the United States Postal Service (USPS) and produces definitive and commemorative products for Canada Post Corporation. A contract award from the USPS in 2003 establishes Ashton-Potter (USA) Ltd. as one of three private sector providers, resulting in dramatic volume increases. A large investment in equipment and technology has been made to meet these demands, positioning MDC as an industry leader in stamp production.

Financial Information Relating to Principal Business Categories

The following table is illustrative of the approximate percentage of consolidated revenues received by the Company in each of its continuing principal business categories:

Principal Business Category	Percentage of Company's Consolidated Sales for the Fiscal Year Ended		
	2003	2002	2001
Marketing Communications Division	62%	44%	35%
Secure Products International Division	37%	54%	60%

Corporate and Other	1%	2%	5%
	100%	100%	100%

Competition

Marketing Communications Division

The marketing communications industry is highly competitive. Management believes that the Perpetual Partnership(TM) model, including the value-creating capabilities of its corporate resources and the service composition of its various operating companies, provide the Company with a competitive advantage in the industry.

The operating companies of the Marketing Communications Division compete for acquisitions in the highly fragmented marketing and communications industry with large global consolidators such as Omnicom Group Inc., Interpublic Group of Companies, Inc., WPP Group plc, Publicis Group SA and Havas Advertising. MDC relies on the attributes of its Perpetual Partnership(TM) business model, including the opportunity for owners to maintain equity in the operating business and operational independence, to compete for and attract new acquisitions and to attract and retain experienced and talented professional staff.

Each of the operating companies within the Marketing Communications Division face competition from large multinational marketing communications companies operating in Canada and/or the United States, as well as numerous smaller agencies that only operate in one or more countries or local markets. The Company's operating companies must compete with these other companies to maintain existing client relationships and to obtain new clients and assignments.

The Company's operating companies compete at this level by identifying and developing sectors or niches which have historically been underserved by other marketing communications companies. These niches include the regional operations of multinational corporations and national companies with mid-sized marketing budgets.

The Company's integrated communications services companies compete principally by offering clients integrated solutions and managing a client's brand consistency across a broad range of communications services including both advertising and non-traditional services. The specialized communications companies compete principally by offering clients depth of expertise in a specialized marketing communications discipline. MDC also benefits from two-way referrals and cross-selling of services based on expertise, and the complexity and service scope of client requirements.

A company's ability to compete for new clients is affected in some instances by the policy, which many advertisers and marketers follow, of not permitting their agencies to represent competitive accounts in the same market. As a result, increasing size may limit a company's ability to compete for certain new clients. In the vast majority of cases, however, MDC's consistent maintenance of separate, independent operating companies has enabled the Company to represent competing clients.

Secure Products International Division

Competition in the Company's markets is primarily dependent upon quality, reliability and service. Price is also an important criteria, but is secondary to the initial requirement for a supplier to satisfy a potential customer that it has the proven ability to meet the primary criteria.

In both Canada and the United States, government and public corporation security products are generally awarded on the basis of competitive bidding procedures through Requests for Proposals (RFP's). These RFP's require a bidder to provide detailed information regarding price, security, manufacturing capabilities and quality control processes. These RFP submissions form the basis for the awarding of contracts. Contracts are generally awarded on a multi-year basis.

MDC is one of the largest suppliers in the Canadian card market and the number two supplier in the Australian card market. MDC's secure ticketing business has the number two market share position in secure ticketing products in North America. MDC is also one of the largest private sector stamp suppliers world-wide.

Industry Trends

Marketing Communications Division

Significant trends exist in the marketing communications industry. Historically, advertising has been the primary service provided by the industry. However, as clients aim to establish one-to-one relationships with customers, and more accurately measure the effectiveness of their marketing expenditures, specialized communications services are consuming a growing portion of marketing dollars. This is increasing the demand for a broader range of services particularly "below the line" or "non-traditional" services. As well, there is an increasing need for consistent brand communication in response to increased competition from globalization and deregulation.

Large multinational organizations have shown a tendency towards consolidation of their marketing communications providers into one firm that provides services to all international locations. As a result, communications and marketing services providers with a broader geographical scope that better positions them to provide services that meet these needs may be more successful at maintaining exiting or winning new business.

The Company's success in this environment has been in the past and is expected to continue to be dependent on the ability to retain and attract key executive and management personnel and employees, to maintain relationships with existing clients and successfully bid on new business, and to staff projects with the expertise required.

Secure Products International Division

The continuing growth expected in the areas of e-commerce and the Internet and the imminence of the "smart card" revolution are anticipated to positively impact MDC.

In April 2003, it was announced Ashton-Potter (USA) Ltd. had been awarded a long-term contract by the United States Postal Service ("USPS") to provide definitive and commemorative postage stamp products. The USPS awarded production of all U.S. postage stamp products to three successful suppliers. The three master contracts awarded are for the printing, finishing and packaging of U.S. postage stamps with an initial base term of four years and have an aggregate estimated value (for all three contractors) of US$229 million. In addition, there are also three two-year options to the base contracts for a potential contractual term of 10 years. If all the option years are exercised, the potential value of the three contracts over the 10 years would be US$572.5 million. This contract award positions Ashton-Potter as one of the largest producers of postage stamps in the world.

Employees

As at December 31, 2003, the Company and its subsidiaries had approximately 3,200 employees.

Risks

Pages 21 to 23 of the Company's 2003 Annual Report entitled "Risks and Uncertainties" of the "Management's Discussion and Analysis" are hereby incorporated herein by reference. The "Management Discussion and Analysis" is available on SEDAR at www.sedar.com.

DIVIDENDS

The Company has not declared nor paid any dividends on its Class A Subordinate Voting Shares since its incorporation. It is the present policy of the Company to retain all earnings to support the growth of its various businesses. Accordingly, it is expected that no dividends will be paid by the Company on the Class A Subordinate Voting Shares in the foreseeable future. Any future payment of dividends will be determined by the board of directors of MDC on the basis of the Company's earnings, financial requirements and other relevant factors.

CAPITAL STRUCTURE

The authorized share capital of the Company is as follows:

An unlimited number of Class A shares (subordinate voting shares) carrying one vote each, entitled to dividends equal to or greater than Class B shares, convertible at the option of the holder into one Class B share for each Class A share after the occurrence of certain events related to an offer to purchase all Class B shares.

An unlimited number of Class B shares carrying 20 votes each, convertible at any time at the option of the holder into one Class A share for each Class B share.

An unlimited number of non-voting preference shares issuable in series.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Pages 13 to 24 of the Company's 2003 Annual Report entitled "Management's Discussion and Analysis" are hereby incorporated herein by reference. The "Management Discussion and Analysis" is available on SEDAR at www.sedar.com.

MARKET FOR SECURITIES OF THE COMPANY

The Company's outstanding Class A Subordinate Voting Shares are listed and posted for trading on the Toronto Stock Exchange in Canada and on the Nasdaq National Market in the United States. The Company's outstanding Convertible Debentures are listed and posted for trading on the Toronto Stock Exchange.

DIRECTORS AND OFFICERS

The section entitled "Election of Directors" contained on pages 4 to 6 of the

Company's Management Information Circular dated April 30, 2004 for use in connection with the Company's annual and special meeting of shareholders to be held on June 9, 2004, is hereby incorporated herein by reference. The Company's Management Information Circular is available on SEDAR at www.sedar.com.

The following table sets forth certain information with respect to each of the officers of the Company:

Name and Municipality of Residence	Office
Miles S. Nadal Nassau, Bahamas	Chairman, President and Chief Executive Officer
Peter M. Lewis Toronto, Ontario	Vice Chairman
Graham L. Rosenberg Toronto, Ontario	Managing Director
Robert E. Dickson Toronto, Ontario	Managing Director
Walter Campbell Ajax, Ontario	Chief Financial Officer and Corporate Secretary
Charles K. Porter Miami, Florida	Chief Strategist
Glenn Gibson Richmond Hill, Ontario	Senior Vice President, Finance
Stephanie Ivy Oshawa, Ontario	Vice President, Finance
Maria Pappas Toronto, Ontario	Assistant Secretary

As of April 30, 2004, the directors and officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control or direction over approximately 22% of the outstanding Class A Subordinate Voting Shares and none of the outstanding Class B Shares.

Conflicts of Interest

Certain directors of the Company provide services from time to time to the Company and its subsidiaries. If a director of the Company has an actual conflict of interest with respect to a particular matter resulting from his relationship with the Company or a subsidiary of the Company, such director would be required to declare such interest and, in most instances, abstain from voting in connection with such matter.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, 10% securityholders, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Management Information Circular dated April 30, 2004, which involves the election of directors. The Company's Management Information Circular is available on SEDAR at www.sedar.com. Additional financial information is provided in the Company's comparative financial statements for 2003. A copy of such documents may be obtained upon written request from the Secretary of the Company.

The Company will provide to any person or company upon request to the Corporate Secretary of the Company:

(a) when the securities of the Company are in the course of distribution under a preliminary short form prospectus or a short form prospectus:

  (i) one copy of the Company's annual information form, together with one copy of any document, or the pertinent pages of any document, incorporated therein by reference;

  (ii) the comparative consolidated financial statements of the Company for the Company's most recently completed financial year together with the accompanying report of the Company's auditors thereon;

  (iii) one copy of any interim financial statements of the Company subsequent to the financial statements of the Company's most recently completed financial year;

  (iv) one copy of the information circular of the Company in respect of the Company's most recent annual meeting of shareholders that involved the election of directors; and

  (v) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iv) above; or

(b) at any other time, one copy of any other documents referred to in (a) (i), (ii), (iii) and (iv) above, provided the Company may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of the Company.

Document No. 2

MDC PARTNERS INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

CONTENTS

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AUDITORS' REPORT

TO THE DIRECTORS OF
MDC PARTNERS INC.

We have audited the consolidated balance sheets of MDC Partners Inc. as at December 31, 2003, 2002 and 2001 and the consolidated statements of retained earnings, operations and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003, 2002 and 2001 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

On February 24, 2004, we reported separately to the shareholders of MDC Partners Inc. on financial statements for the same period, prepared in accordance with Canadian generally accepted accounting principles without the additional note of Reconciliation of Results Reported in Accordance with Generally Accepted Accounting Principles in Canada with United States Generally Accepted Accounting Principles.

Chartered Accountants

Toronto, Ontario
May 3, 2004

MDC Part
Consolidated Balan
(in thousands of U.S.

December 31	2003	2002	
Assets			
Current			
Cash and cash equivalents	$ 71,879	$ 37,788	$
Accounts receivable (Note 4)	80,979	67,457	
Inventory	6,795	7,005	
Prepaid expenses and sundry	5,068	6,266	
Future income taxes	-	-	
	164,721	118,516	
Capital and other assets (Note 5)	80,152	79,967	
Goodwill (Note 6)	103,538	185,637	
	$ 348,411	$ 384,120	$
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities	$ 91,289	$ 82,874	$
Deferred acquisition consideration	1,113	23,966	
Deferred revenue	13,516	11,104	
Current portion of long-term indebtedness (Note 7)	18,646	4,088	
	124,564	122,032	
Long-term indebtedness (Note 7)	102,112	155,514	
	226,676	277,546	
Minority interest	2,533	9,824	
Shareholders' equity			
Share capital (Note 8)	117,292	96,407	
Contributed surplus (Note 9)	3,272	-	
Other paid-in capital (Note 10)	30,851	24,179	
Cumulative translation adjustment (Note 11)	(4,953)	7,858	
Retained earnings (Deficit)	(27,260)	(31,694)	
	119,202	96,750	
	$ 348,411	$ 384,120	$

The accompanying summary of significant accounting policies and notes are an integral part of the

On behalf of the Board:

Director
Thomas N. Davidson

Director
Guy P. French

Consoli
Retained
(i

For the years ended December 31	2003	2
Retained earnings (deficit), beginning of year as previously reported	$ (31,694)	$ (46,1
Impact of change in accounting for foreign currency translation (Note 1)	-	(15,4
Impact of transitional goodwill impairment charge (Note 1)	-	(62,4
Opening retained earnings (deficit), as restated	(31,694)	(124,0
Net income (loss) for the year	11,042	93,3
	(20,652)	(30,7
Premium paid on repurchase of Class A shares	(5,531)	
Allocation to other paid-in capital, net of income tax recovery of $615 (2002 - $616, 2001 - $1,139)	(1,077)	(9
Retained earnings (deficit), end of year	$ (27,260)	$ (31,6

The accompanying summary of significant accounting policies and notes are an integral part of the

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For the years ended December 31	2003	
Gross billings	$ 556,310	$ 600
Revenues	$ 312,716	$ 387
Operating costs	276,157	333
Operating income before other income (charges)	36,559	54
Other income (charges)		
Net gain on asset dispositions and other charges (Note 12)	10,260	97
Unrealized foreign exchange gain (loss)	-	4
Amortization	(12,617)	(16
Interest, net	(11,502)	(17
Income participation of minority partners (Note 13)	(6,113)	(3
	(19,972)	63
Income (loss) before income taxes, goodwill charges and minority interest	16,587	118
Income taxes (recovery) (Note 14)	6,589	22
Income (loss) before goodwill charges and minority interest	9,998	96
Goodwill charges, net of income tax recovery of $Nil (2002 - $Nil, 2001 - $2,306)	-	
Minority interest (recovery)	(1,044)	3
Income (loss) from continuing operations	11,042	93
Loss from discontinued operations (Note 15)	-	
Net income (loss) for the year	$ 11,042	$ 93
Earnings per share (Note 16)		
Income (loss) from continuing operations		
Basic	$ 0.55	$
Diluted	$ 0.49	$
Net income (loss)		
Basic	$ 0.55	$ 5
Diluted	$ 0.49	$ 3

The accompanying summary of significant accounting policies and notes are an integral part of the

(in th

For the years ended December 31	2003
Cash provided by (used in)	
Operating activities	
Income (loss) from continuing operations	$ 11,042
Items not involving cash	
Asset dispositions and other charges	(20,272)
Other charges - accrued (paid)	(949)
Unrealized foreign exchange loss (gain)	-
Goodwill writedown	10,012
Amortization	12,617
Future income taxes	5,461
Interest capitalized	4,557
Minority interest and other	(1,227)
	21,241
Changes in non-cash working capital	(1,981)
Cash flows from operating activities	19,260
Investing activities	
Proceeds on dispositions (acquisitions), net	87,107
Capital assets, net	(18,421)
Other assets, net	4,541
Cash flows from (used in) investing activities	73,227
Financing activities	
Proceeds on issuance of long-term indebtedness	37,472
Repayment of long-term indebtedness	(90,784)
Issuance of share capital	3,031
Repurchase of share capital	(13,662)
Cash flows from (used in) financing activities	(63,943)
Foreign exchange gain on cash held in foreign currencies	5,547
Increase (decrease) in cash and	

cash equivalents during the year	34,091
Cash and cash equivalents, beginning of year	37,788
Cash and cash equivalents, end of year	$ 71,879
Supplemental cash flow information	
Cash paid for interest	$ 7,136
Cash paid (recovered) for income taxes	$ (2,087)

The accompanying summary of significant accounting policies and notes are an integral part of the

MDC PARTNERS INC.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DECEMBER 31, 2003, 2002 AND 2001

NATURE OF BUSINESS	MDC Partners Inc., formerly MDC Corporation Inc., is incorporated under the laws of Ontario. The Company commenced using the name MDC Partners Inc. on November 1, 2003 and legally changed its name through amalgamation with a wholly-owned subsidiary on January 1, 2004. The Company's operations are in primarily two business segments - Marketing Communications and Secure Products International.
PRINCIPLES OF CONSOLIDATION	The financial statements include the accounts of the Company and any effectively controlled subsidiary companies and are prepared in conformity with generally accepted accounting principles in Canada. Interests in joint ventures are recorded using the proportionate consolidation method. Acquisitions are consolidated from the effective date of acquisition with intercompany transactions and accounts eliminated upon consolidation.
INVESTMENTS	Investments in which the Company does not have control or have significant influence are valued at the lower of cost or market.
INVENTORY	Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.
CAPITAL ASSETS	Capital assets are recorded at cost.

Amortization is provided as follows:

Buildings	- 4-5% straight-line
Computer, furniture and fixtures	- 20-50% declining bal
Machinery and equipment	- 10-20% declining bal
Leasehold improvements	- straight-line over t the lease

DEFERRED CHARGES

The Company capitalizes direct costs related to development of new products and services until the commencement of commercial operations, at which time all related costs are amortized on a straight-line basis over their estimated useful life.

DEFERRED FINANCE COSTS

Deferred finance costs are amortized over the term of the related indebtedness.

FUTURE INCOME TAXES

The Company uses the liability method of tax allocation for accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

FOREIGN CURRENCY TRANSLATION

Historically, the Company's consolidated financial statements have been presented in Canadian dollars. In order to more fully reflect the U.S. nature of the Company's business and shareholder base, and to improve investors' ability to compare the Company's results with those of most other publicly traded businesses in the marketing communications industry, which also report in U.S. dollars, the U.S. dollar was adopted as the Company's reporting currency effective September 30, 2003. The functional currencies of each of the Company's operations are unchanged. The consolidated financial statements and notes thereto have been restated in U.S. dollars for all periods presented.

With the exception of the Company's foreign subsidiaries, foreign currency assets and liabilities carried at current prices are translated into Canadian dollars using the rate of exchange in effect at the year end; other foreign currency assets and liabilities are translated using the rates of exchange in effect at the dates of the transaction; long-term monetary assets and liabilities with a fixed term which have been hedged are translated using the rate per the hedge agreements; revenue and expense items are translated at the average monthly rate of exchange for the year, except for amortization of capital and other assets which is translated at the historical rates of the related assets. The asset and liability accounts of foreign subsidiaries self-sustaining operations are translated using the rate of exchange in effect at the year end and revenues and expenses are translated at the average monthly rates during the year.

The unrealized foreign exchange gains and losses on translation of the accounts of foreign subsidiaries are reflected as a separate component of shareholders' equity.

Effective January 1, 2002, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") with respect to the accounting for foreign exchange gains or losses relating to translation of non-hedged long-term monetary assets and liabilities. Previously such gains or losses were deferred and amortized over the remaining term of the related assets or liabilities. The Institute now requires that exchange gains or losses arising on translation of all non-hedged monetary items be included in the determination of net income for the current period. The accounting policy change has been applied retroactively with restatement of prior periods as recommended by the CICA (see note 1).

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FOREIGN CURRENCY TRANSLATION (CONTINUED)

Effective July 1, 2002, management

designated the Company's 10.5% U.S. Senior Subordinated Notes ("Notes") as a hedge against the foreign exchange exposure of the Secure Transactions U.S. operations. The hedge is applied prospectively from the effective date whereby any foreign exchange translation adjustment of the Notes will reduce any offsetting foreign exchange translation adjustment of the U.S. operations, the net of which is reflected in the cumulative translation account within shareholders' equity.

All other foreign exchange gains and losses are included in net income or loss in the current period.

GOODWILL

Goodwill represents the price paid for acquisitions in excess of the fair market value of net assets acquired. Effective January 1, 2002, the Company adopted the recommendations of the CICA with respect to goodwill and other intangibles. These standards require that goodwill and other intangible assets determined to have indefinite lives are no longer amortized but tested for impairment on adoption of the standard and at least annually thereafter. Transitional impairment tests for goodwill were completed as at June 30, 2002 and, as a result, a transitional impairment loss was charged to opening retained earnings (see note 1). Prior to 2002, the Company amortized goodwill on a straight-line basis over periods ranging from 10 to 40 years. Goodwill arising on acquisitions completed after June 30, 2001 was not amortized.

REVENUE RECOGNITION

Revenue is recognized using the percentage of completion method with respect to contracts having a specified time period for the performance of the service. Percentage of completion is determined based either on (a) the fair value of the project at each particular stage relative to its total fair value on completion, or, (b) based on costs incurred to date relative to the expected total costs to be incurred upon completion. Work in progress is estimated as the portion of revenue which has been earned but not billed. Customer billings in advance are recorded as deferred revenue. Potential losses, if any, on work in progress are provided for as soon as the possibility of a loss becomes apparent.

All other revenue is recorded when the service is completed and/or the product is delivered.

MDC PARTNERS INC.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
DECEMBER 31, 2003, 2002 AND 2001

FINANCIAL INSTRUMENTS	The Company's financial instruments consist of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, long-term indebtedness and derivative financial instruments. The Company has used derivative financial instruments to manage its exposure to market risks relating to interest rates and foreign currency exchange rates. At December 31, 2003, the Company was not party to any derivative financial instrument.
CREDIT RISK	The Company's financial assets that are exposed to credit risk consist primarily of cash, accounts receivable and derivative financial instruments. The Company, in its normal course of business, is exposed to credit risk from its customers.
FAIR VALUE	The fair value of long-term indebtedness (see note 7) that bears interest at fixed rates is based on its quoted market price or on discounted future cash flows using rates currently available for debt of similar terms and maturities if the quoted market price was not available. The fair value of other financial instruments, cash and short-term investments, accounts receivable, bank indebtedness and accounts payable and accrued liabilities, approximates carrying value due to their short-term maturities.
INTEREST RATE RISK	The Company's principal exposure to interest rate fluctuations is with respect to certain of its long-term indebtedness, which bear interest at floating rates.
CASH AND CASH EQUIVALENTS	The Company considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents. The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash and cash equivalents.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DECEMBER 31, 2003, 2002 AND 2001

STOCK-BASED COMPENSATION	Effective January 1, 2002, the Company adopted the recommendations of the CICA with respect to stock-based compensation and other stock-based payments. These standards require that direct awards of stock and liabilities based on the price of common stock be measured at fair value at each reporting date, with the change in fair value reported in the statement of operations, and encourages, but does not require, the use of the fair value method for all other types of employee stock-based compensation plans.
	During the fourth quarter of 2003, the Company decided to adopt the fair value based method of accounting for all its stock-based compensation. The Company adopted these changes using the prospective application transitional alternative. Accordingly, the fair value based method is applied to awards granted, modified or settled on or after January 1, 2003. When the awards are exercised, share capital is credited by the sum of the consideration paid together with the related portion previously credited to contributed surplus when costs were charged against income or acquisition consideration.
	Prior to January 1, 2003, the Company did not use the fair value method to account for employee stock-based compensation plans but disclosed pro forma information for options granted after January 1, 2002 (see note 8). Furthermore the Company recorded no compensation expense when options were issued to employees, and any consideration paid by employees on the exercise of options was credited to share capital.
ACCOUNTING ESTIMATES	The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

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1. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

FOREIGN CURRENCY TRANSLATION

Effective January 1, 2002, the Company adopted the recommendation of the CICA with respect to the accounting for foreign exchange gains or losses relating to translation of non-hedged long-term monetary assets and liabilities.

The effects of the change, which has been applied retroactively, are a decrease to capital assets and retained earnings as at January 1, 2002 of $15,470 (2001 - $6,732). Net income for the year ended December 31, 2001 was decreased from the amount previously reported by $8,732 primarily related to the unrealized foreign exchange loss of $12,034.

GOODWILL

Effective January 1, 2002, the Company adopted the recommendations of the CICA with respect to goodwill and other intangibles. These standards require that goodwill and other intangible assets determined to have indefinite lives are no longer amortized but tested for impairment on adoption of the standard and at least annually thereafter.

Transitional impairment tests for goodwill were completed by June 30, 2002 and, as a result, a transitional impairment loss of $62,477 (net of income tax recovery of $10,045) was charged to the 2002 opening retained earnings.

2. ACQUISITIONS

The following are the acquisitions during the period. These acquisitions were accounted for by the purchase method and consolidated from the respective effective date of acquisition.

2001 Acquisitions:

Effective January 8, 2001, the Company acquired 49% of Crispin Porter + Bogusky LLC.

Effective January 31, 2001, the Company acquired 100% of the Canadian card services business of MIST Inc.

Effective February 15, 2001, the Company acquired an additional 16% of CyberSight Acquisition Co., Inc.

Effective March 1, 2001, the Company acquired 100% of The Marketing Department LLC.

Effective June 15, 2001, the Company acquired 100% of McCool Communications.

Effective July 25, 2001, the Company acquired 79.17% of Grange

(IN THOUSANDS OF U.S. DOLLARS,
EXCEPT PER SHARE AMOUNTS)

Advertising Limited.

2002 Acquisitions:

None.

2. ACQUISITIONS (CONTINUED)

2003 Acquisitions:

Effective January 1, 2003, the Company acquired the remaining 5.96% of Colle & McVoy, Inc. that it did not already own.

Effective March 31, 2003, the Company acquired an additional 1.52% of Allard Johnson Communications Inc. to own 54.3%.

Effective July 31, 2003, the Company acquired the remaining 26% of Maxxcom Inc. ("Maxxcom") that it did not already own through a plan of arrangement (the "privatization of Maxxcom").

Effective August 15, 2003, the Company acquired the remaining 38.7% of Interfocus Network Ltd. that it did not already own.

Effective September 30, 2003, the Company acquired the remaining 15% of Metaca Corporation that it did not already own.

Effective October 1, 2003, the Company acquired an additional 6.17% of Source Marketing, LLC to own 87.67%.

The assets acquired and the consideration given are as follows:

	DECEMBER 31,		
	2003	2002	2001
Net assets acquired, at fair value			
Assets, net of liabilities	$ 219	$ 36	$ 4,425
Reduction in minority interest	6,844	-	-
Goodwill	25,691	20,774	50,927
	$ 32,754	$ 20,810	$55,352
Consideration			
Cash and promissory notes	$ 6,215	$ -	$24,552
Class A shares issued	24,199	-	7,353
Fair value of stock options and Warrants issued	1,900	-	-

Additional consideration - current year acquisitions	-	-	626
Additional consideration - prior year acquisitions	698	20,418	14,250
Recovery of consideration - prior year acquisitions	(4,176)	-	-
Other acquisition costs	3,918	392	8,571
	$ 32,754	$ 20,810	$ 55,352

In addition to the consideration paid by the Company in respect of its acquisitions, additional consideration may be payable based on the achievement of certain threshold levels of earnings. Based on the current year's earnings, $698 (2002 - $12,553, 2001 - $28,240) of additional consideration was accrued related to current and prior year acquisitions and is reflected in deferred acquisition consideration (see note 12). No additional consideration will be incurred on current and prior year acquisitions.

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December 31, 2003, 2002, 2001

3. Interest in Jointly Controlled Entity

The Company accounts for its 49% interest in Crispin Porter + Bogusky LLC, a jointly contro proportionate consolidation method. The following is the Company's proportionate share of t the financial statements of the jointly controlled entity as at and for the years ended Dec and 2001:

Balance Sheet	2003	2
Current assets	$ 18,739	$ 12,
Long-term assets	2,641	
Current liabilities	(16,965)	(12,
Long-term liabilities	(867)	

Statement of Operations	2003	2
Gross billings	$ 58,143	$ 32,
Revenues	$ 13,491	$ 9,
Expenses	9,066	6,
Income before income taxes	4,425	2,
Income taxes	1,666	1,
Net income	$ 2,759	$ 1,

Statement of Cash Flows	2003	2

Cash provided from (used in):		
Operating activities	$ 2,385	$ 7,
Investing activities	(1,600)	(
Financing activities	(1,170)	(3,

4. Accounts Receivable

	2003	2
Receivables - Trade	$ 66,867	$ 57,
- Other	3,655	2,
Unbilled work in progress	10,457	8,
	$ 80,979	$ 67,

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December 31, 2003, 2002, 2001

5. Capital and Other Assets

	2003		2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
(a) Capital Assets				
Land	$ 1,026	$ -	$ 843	$ -
Buildings	5,570	1,513	4,556	1,100
Computer, furniture and fixtures	46,276	32,454	45,974	28,673
Machinery and equipment	32,233	12,426	33,012	11,590
Leasehold improvements	12,897	6,943	10,948	5,567
	98,002	53,336	95,333	46,930
(b) Other Assets				
Investments, at cost net of provisions	17,844	-	103	-
Long-term notes receivable, net of provisions of $8,326 (2002 - $17,435, 2001 - $12,712)	1,749	-	5,139	-
Deferred charges	2,708	1,698	2,100	1,442
Deferred finance costs	6,726	4,423	10,467	4,318

Future income taxes	12,580	-	19,515	-
	41,607	6,121	37,324	5,760
	139,609	59,457	132,657	52,690
Cost less accumulated amortization		$ 80,152		$ 79,967

Investments include $16,876 related to shares of Custom Direct, Inc. which were exchanged into un
Income Fund ("Fund") on February 13, 2004. The units of the Fund were then applied in full settle
adjustable rate exchangeable securities (see Note 7).

Included in capital assets are assets under capital leases with a cost of $11,682 (2002 - $10,835
accumulated amortization of $5,089 (2002 - $4,120, 2001 - $3,320). Long-term notes receivable ("N
subject to provisions of $8,326, owing from current and former employees, officers and directors
subsidiaries. The Notes are non-interest bearing with no specific terms of repayment. During the
$1,710 (2002 - $Nil, 2001 - a provision of $2,395) relating to employee notes receivable has been

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December 31, 2003, 2002, 2001

6. Goodwill

Effective January 1, 2002, the Company adopted the new standards of the CICA Handbook Secti
3062 for accounting for goodwill and other intangible assets. These standards require that
goodwill no longer be amortized, but tested for impairment, at least annually by comparison
its fair value. Pursuant to these standards, management of the Company completed the
transitional impairment test as at June 30, 2002. By applying the prescribed method of
comparing the fair value of its reporting units to the carrying amounts of its reporting
units, the Company assessed its goodwill and recorded a transitional impairment loss of
$62,477 net of income taxes ($72,522 before income taxes) directly as a reduction to openin
retained earnings (deficit) at January 1, 2002.

The original cost and accumulated amortization of goodwill as at December 31, 2001 was as f

Cost
Accumulated amortization

The changes in the carrying amount of goodwill for the year ended December 31 are as follow

Balance, January 1	$ 1
Transitional impairment loss	
Acquired during the year	
Reduction for dispositions	(

Goodwill charges (see note 12)	(
Foreign currency translation	
Balance, December 31	$ 1

Net income (loss), adjusted to exclude goodwill amortization expense including the related effects, is as follows:

	2003	
Reported net income (loss)	$ 11,042	$
Add back: goodwill amortization, net of tax of $Nil (2002 - $Nil, 2001 - $1,811)	-	
Adjusted net income (loss)	$ 11,042	$
Earnings (loss) per share:		
Reported net income (loss)		
Basic	$ 0.55	$
Goodwill amortization	-	
Adjusted net income (loss)	$ 0.55	$
Diluted	$ 0.49	$
Goodwill amortization	-	
Adjusted net income (loss)	$ 0.49	$

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS OF U.S. DOLLARS,
EXCEPT PER SHARE AMOUNTS)

DECEMBER 31, 2003, 2002, 2001

7. LONG-TERM INDEBTEDNESS

	DEC		
	2003	2002	
Adjustable rate exchangeable securities C$34,155 (2002 and 2001 - Nil), due December 200			
Adjustable rate exchangeable securities, C$34,155 (2002 - Nil), due December 2028	$ 26,344	$ -	$
10.5% unsecured senior subordinated notes	-	86,433	
Davis & Henderson, Limited Partnership term facility	-	-	
7% convertible debentures, face value C$49,000 (2002 and 2001 - C$50,000),			

due January 8, 2007	6,943	7,515
6% convertible subordinated notes	-	-
7.84% mortgage payable, C$5,261 (2002 - C$5,390, 2001 - C$5,500), due January 2012	4,058	3,417
Notes payable and other bank loans	5,632	4,208
MDC credit facility	-	-
Maxxcom credit facility	30,718	24,000
Maxxcom subordinated debenture, C$51,664 (2002 - C$45,465, 2001 - C$40,000), due September 2005	39,849	28,819
	113,544	154,392
Obligations under capital leases, interest at 6.2% to 8.4%	7,214	5,210
	120,758	159,602

nbsp;

Depreciation, depletion, accretion and amortization	85,167	90,586
Net gain on sale of property, plant & equipment and businesses	(17,862)	(12,738)
Contributions to pension plans	(1,124)	(1,013)
Share-based compensation	1,877	3,676
Deferred tax provision	(30,966)	(50,563)
Changes in assets and liabilities before initial effects of business acquisitions and dispositions	45,828	68,374
Other, net	(1,723)	461
Net cash provided by operating activities	29,144	44,050

Investing Activities		
Purchases of property, plant & equipment	(18,848)	(24,207)
Proceeds from sale of property, plant & equipment	10,750	592
Proceeds from sale of businesses, net of transaction costs	11,827	12,284
Other, net	31	400
Net cash provided by (used for) investing activities	3,760	(10,931)
Financing Activities		
Net short-term borrowings	-	14,500
Payment of current maturities and long-term debt	(90)	(3,059)
Proceeds from issuance of common stock	-	191
Dividends paid	(1,295)	(32,265)
Proceeds from exercise of stock options	3,483	3,112
Other, net	331	25
Net cash provided by (used for) financing activities	2,429	(17,496)

Net increase in cash and cash equivalents	35,333	15,623
Cash and cash equivalents at beginning of year	155,839	47,541
Cash and cash equivalents at end of period	$191,172	$63,164

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Table D

Segment Financial Data and Unit Shipments
(Amounts in thousands, except per unit data)

	Three Months Ended March 31 2012	2011
Total Revenues		
Aggregates segment (a)	$ 355,618	$ 331,591
Intersegment sales	(31,120)	(29,773)
Net sales	324,498	301,818
Concrete segment (b)	92,471	82,234
Intersegment sales	(451)	-
Net sales	92,020	82,234
Asphalt Mix segment	71,356	64,647
Intersegment sales	-	-
Net sales	71,356	64,647
Cement segment (c)	20,516	16,530
Intersegment sales	(8,539)	(8,914)
Net sales	11,977	7,616
Total		
Net sales	499,851	456,316
Delivery revenues	36,031	30,884
Total revenues	$ 535,882	$ 487,200
Gross Profit		
Aggregates	$ 34,049	$ 10,740
Concrete	(12,305)	(14,407)
Asphalt Mix	(660)	(192)
Cement	874	(3,247)
Total gross profit	$ 21,958	$ (7,106)
Depreciation, depletion, accretion and amortization		
Aggregates	$ 64,884	$ 70,071
Concrete	12,093	13,038
Asphalt Mix	2,422	1,976
Cement	4,436	4,321
Corporate and other unallocated	1,332	1,180
Total DDA&A	$ 85,167	$ 90,586
Unit Shipments		
Aggregates customer tons	27,186	24,523

Internal tons (d)	2,266	2,141
Aggregates - tons	29,452	26,664
Ready-mixed concrete - cubic yards	964	859
Asphalt Mix - tons	1,284	1,241
Cement customer tons	108	53
Internal tons (d)	109	123
Cement - tons	217	176
Average Unit Sales Price (including internal sales)		
Aggregates (freight-adjusted) (e)	$ 10.25	$ 10.33
Ready-mixed concrete	$ 91.78	$ 91.05
Asphalt Mix	$ 54.21	$ 51.38
Cement	$ 78.28	$ 76.11

(a) Includes crushed stone, sand and gravel, sand, other aggregates, as well as transportation and service revenues associated with the aggregates business.

(b) Includes ready-mixed concrete, concrete block, precast concrete, as well as building materials purchased for resale.

(c) Includes cement and calcium products.

(d) Represents tons shipped primarily to our downstream operations (e.g., asphalt mix and ready-mixed concrete). Sales from internal shipments are eliminated in net sales presented above and in the accompanying Condensed Consolidated Statements of Earnings.

(e) Freight-adjusted sales price is calculated as total sales dollars (internal and external) less freight to remote distribution sites divided by total sales units (internal and external).

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Table E

1. Supplemental Cash Flow Information

Supplemental information referable to the Condensed Consolidated Statements of Cash Flows for the three months ended March 31 is summarized below:

	(Amounts in thousands)	
	2012	2011
Supplemental Disclosure of Cash Flow Information		
Cash paid (refunded) during the period for:		
Interest	$ 175	$ 4,448
Income taxes	1,816	(35,938)
Supplemental Schedule of Noncash Investing and Financing Activities		
Liabilities assumed in business acquisition	-	14,330
Accrued liabilities for purchases of property, plant & equipment	3,895	6,378
Fair value of equity consideration for business acquisition	-	18,898

2. Reconciliation of Non-GAAP Measures

Generally Accepted Accounting Principles (GAAP) does not define "free cash flow", "Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)" and "cash earnings." Thus, free cash flow should not be considered as an alternative to net cash provided by operating activities or any other liquidity measure. Likewise, EBITDA and cash earnings should not be considered as alternatives to earnings measures defined by GAAP. We present these metrics for the convenience of investment professionals who use such metrics in their analyses, and for shareholders who need to understand the metrics we use to assess performance and to monitor our cash and liquidity positions. The investment community often uses these metrics as indicators of a company's ability to incur and service debt. We use free cash flow, EBITDA, cash earnings and other such measures to assess the operating performance of our various business units and the consolidated company. We do not use these metrics as a measure to allocate resources. Reconciliations of these metrics to their nearest GAAP measures are presented below:

Free Cash Flow

Free cash flow deducts purchases of property, plant & equipment from net cash provided by operating activities.

	(Amounts in thousands) **Three Months Ended March 31**	
	2012	2011
Net cash provided by operating activities	$29,144	$44,050
Purchases of property, plant & equipment	(18,848)	(24,207)
Free cash flow	$10,296	$19,843

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Table F

Reconciliation of Non-GAAP Measures (Continued)

EBITDA and Cash Earnings

EBITDA is an acronym for Earnings Before Interest, Taxes, Depreciation and Amortization. Cash earnings adjusts EBITDA for net interest expense and current taxes.

	(Amounts in thousands) Three Months Ended March 31	
	2012	2011
Reconciliation of Net Loss to EBITDA and Cash Earnings		
Net loss	$(52,053)	$(54,733)
Benefit from income taxes	(38,397)	(37,430)
Interest expense, net	52,266	42,250
Earnings on discontinued operations, net of tax	(4,997)	(9,889)
EBIT	(43,181)	(59,802)
Plus: Depreciation, depletion, accretion and amortization	85,167	90,586
EBITDA	$41,986	$30,784
Less: Interest expense, net	(52,266)	(42,250)
Current taxes	8,626	(11,600)
Cash earnings	$(1,654)	$(23,066)
Adjusted EBITDA		
EBITDA	$41,986	$30,784
Less: Recovery from legal settlement	-	25,546
Gain on sale of real estate	5,979	-
Exchange offer costs	(10,065)	-
Adjusted EBITDA	$46,072	$5,238

EBITDA Bridge (Amounts in millions)	Three Months Ended March 31 EBITDA
Continuing Operations - 2011 Actual	$ 31
Less: Recovery from legal settlement	26
2011 EBITDA from operations	5
Increase / (Decrease) due to:	
Aggregates: Increased volumes	15
Lower selling prices (primarily product mix)	(3)
Lower costs and other items	6
Concrete	1
Asphalt Mix	-
Cement	4
Lower selling, administrative and general expenses	13
Other	5
2012 EBITDA from operations	46
Plus: Gain on sale of real estate	6
Exchange offer costs	(10)
Continuing Operations - 2012 Actual	$ 42