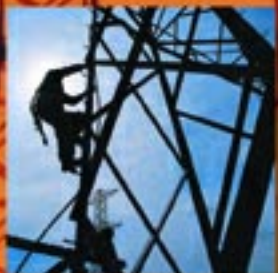




2004 Annual Report





DPL Generating Units & Service Area

- Service Area
- Natural Gas Peaking Generation Units
- Wholly & Commonly Owned Coal-Fired Generating Plants

Dayton Power and Light serves over 500,000 retail electric customers in 6,000 square miles of West Central Ohio. Through its subsidiaries, DPL owns approximately 2,800 megawatts of base load coal generation and 1,600 megawatts of peaking capacity.



Highlights

	2004	2003
Market value per share	\$ 25.11	\$ 20.88
Earnings (millions)	\$ 217.3	\$ 148.5
Earnings per share of common stock		
Basic	\$ 1.81	\$ 1.24 ^(a)
Diluted	\$ 1.78	\$ 1.22 ^(a)
Cash provided by operating activities (millions)	\$ 132.8	\$ 350.3
Long term debt including current portion (millions)	\$ 2,130.8	\$ 2,465.8
Interest expense (millions)	\$ 160.2	\$ 181.7
Total capital additions (millions)	\$ 98	\$ 102
Environmental capital additions (millions)	\$ 18	\$ 36
Dividends paid per share	\$ 0.96	\$ 0.94
Book value per share at December 31	\$ 8.67	\$ 7.52
Average shares outstanding (millions)		
Basic	120.1	119.8
Diluted	122.2	121.7
System peak load – MW (calendar year)	2,896	2,981
Average retail price per kWh (calendar year) (cents/kWh)	6.94	6.95

(a) Includes \$0.14 per share from cumulative effect of accounting change.

Corporate Profile

DPL Inc. (NYSE: DPL) is a regional electric energy and utility company. DPL's principal subsidiaries include The Dayton Power and Light Company (DP&L); DPL Energy, LLC (DPLE); and DPL Energy Resources, Inc. (DPLER). DP&L, a regulated electric utility, provides service to over 500,000 retail customers in West Central Ohio; DPLE engages in the operation of merchant peaking generation facilities; and DPLER is a competitive retail electric supplier in Ohio, selling to major governmental, industrial, and commercial customers. DPL, through its subsidiaries, owns and operates approximately 4,400 megawatts of generation capacity, of which 2,800 megawatts are low cost coal-fired units and 1,600 megawatts are natural gas fired peaking units. Further information can be found at www.dplinc.com.

New York Stock Exchange Notice *Section 303A.12 Certification Requirements*

DPL Inc. filed its respective Chief Executive Officer Annual Certification with the New York Stock Exchange on November 30, 2004. DPL Inc. has filed all Chief Executive Officer/Chief Financial Officer certifications required by the Securities and Exchange Commission regarding the quality of DPL Inc.'s public disclosure.



Robert D. Biggs
Executive Chairman



James V. Mahoney
President & Chief Executive Officer

To Our Shareholders

The past 12 months represent a significant year for DPL Inc. – one filled with positive change that transformed the Company. Collectively, we tackled the challenges of the past year head on and took measured steps to make DPL a stronger company. The Board of Directors, the new leadership team and our 1,500 employees are dedicated to providing you, our shareholders, with a solid return while striving to meet the highest standards of corporate governance and operational excellence.

Despite unfortunate distractions and increased cost pressures, the Company produced solid financial results. Basic earnings per share were \$1.81 in 2004 compared to \$1.10 (\$1.24 after cumulative effect of accounting change) in 2003. Liquidity remained strong, with \$202.1 million in cash and \$86.9 million in public securities at year end, and the balance sheet was strengthened with the retirement of \$335 million in debt.

We would like to personally thank our shareholders for their continued commitment to DPL. Likewise, we express appreciation to our employees for maintaining a sharp focus on getting the job done. Thanks to their efforts, DPL remains an excellent electric energy and utility company with well-run operations and a commitment to satisfying our customers' needs and expectations.

A Year of Significant Milestones

On May 16, 2004, the Board took decisive and sweeping actions to install new leadership in the Company, appointing Robert Biggs as Executive Chairman and James Mahoney as Chief Executive Officer. Since that time, there have been a number of significant milestones and accomplishments.

- DPL has a reconstituted Board of Directors in place. Six of ten members have served on the Board for a year and a half or less and eight of ten Directors are independent under rules of the New York Stock Exchange. With the appointment of four new members in 2004, the Board has a healthy balance of financial expertise, industry knowledge and community leadership. Having sold its 31.6 million warrants to an unaffiliated third party and its Series B preferred

shares back to the Company, Kohlberg Kravis Roberts (KKR) no longer has a financial interest in DPL nor representation on the Board.

- A capable and committed operational and financial management team is in place that has a combination of company experience and fresh perspectives. Most recently, DPL named John Gillen as its new Chief Financial Officer. John brings to the Company more than 20 years of financial management experience in the energy field as both a utility partner at PricewaterhouseCoopers and a member of the Office of the Chief Accountant of the Federal Energy Regulatory Commission.

- Gary Stephenson joined the Company as Vice President of Commercial Operations, responsible for DPL's energy commodity portfolio. Gary has almost 20 years of experience in the energy industry, most recently as Vice President of Commercial Operations for InterGen where he managed its energy marketing and trading activities.

- Significant progress was achieved in strengthening corporate governance, internal controls, business processes, information sharing and transparency.

- Concurrent with the filing of its delayed Securities and Exchange (SEC) filings, DPL resumed dividend payments at the continued annual rate of \$0.96 per share.

- Finally, we completed a comprehensive review of our financial asset portfolio and on February 14, 2005, announced an agreement for the sale of the private equity investments.

Re-Establishing DPL as a Traditional Electric Energy and Utility Company

The decision to sell the private equity investments was reached after careful consideration of a number of strategic options. This review revealed that the current market for private equity was very favorable and there was interest in the investments from a number of qualified bidders.

Ultimately, the Company entered into an agreement to sell all of its interests in 46 private equity funds to AlInvest/Lexington 2005, LLC, a joint venture of AlInvest Partners and Lexington Partners Inc. The sale is expected to generate estimated net proceeds (pretax) of \$850 million. The purchase price will be adjusted for capital calls, which the buyer has assumed, and distributions after June 30, 2004. The value of the private equity interests at cost, exclusive of certain prepaid items and unrealized gains, as of December 31, 2004 was \$754 million. The sale does not include the public securities and cash previously held in the financial asset portfolio.

We believe that the sale of the private equity investments will bring a number of benefits. It improves our cash position, provides us with the opportunity to strengthen our balance sheet, reduces DPL's risk profile and enhances our earnings clarity. In addition, it allows us to focus on core strategic and operational issues.

A significant portion of the proceeds from the sale will be used to repurchase debt. In addition, we are evaluating other potential uses of the proceeds including investments in the core energy business.

Positive Reception on Wall Street

The strategic actions of the Company have been positively received by our shareholders, employees and the financial community. The credit rating agencies have responded favorably. On February 18, 2005, Moody's upgraded the ratings of both DPL and DP&L. Likewise, Standard & Poor's and Fitch have placed DPL on review with positive implications. At the same time, DPL's market value has increased steadily over the past ten months, closing at \$25.11 at year end compared to a low of \$17.21 on May 3, 2004.

A Fundamentally Sound Company

As we move through this period of transition and change, the fundamentals of DPL are sound – organizationally, financially and operationally.

DPL has a solid and diverse customer base, serving industries such as automotive, food processing, paper, plastic manufacturing and defense. Overall, the Company has experienced little to no customer switching as a result of electric deregulation in Ohio. Eighty-eight percent of revenue is derived from our traditional retail customer base, with 700 megawatts of our largest customers under contract. Wholesale transactions account for the remaining 12% of revenue.

DPL's power production continues to perform at a high level. In 2004 generating efficiency improved 2.5% over 2003.

Effective October 1, 2004, DPL entered the PJM Regional Transmission Organization, North America's largest wholesale market serving all or parts of 12 states. Since joining PJM, DPL's generation costs have compared favorably to the market, with DPL base load generation being dispatched at nearly full capacity when available to do so.

Looking Forward

Looking forward to 2005, we plan to focus our attention on the basics of running an electric energy company. While we are well positioned for the future, we face the same challenges as those confronting our industry as a whole.

Managing increasing fuel prices will continue to be a top priority. Fuel accounts for nearly one-third of our operating expenses and in 2004, this cost increased by 12% over 2003. To help mitigate this impact, we will continue to explore the use of alternative, lower priced western coal and emphasize high generating plant efficiency. In addition, we have hedged prices for 97% of our coal supply for 2005 and 74% for 2006.

At the same time, capital investments related to

environmental expenditures continue to be a significant factor in our industry. Most recently, we spent approximately \$175 million to meet environmental requirements to reduce emissions related to nitrogen oxides (NOx). Under proposed rules, we estimate we will be required to spend more than \$500 million over the next four years to install additional emissions control equipment.

DPL will request an increase in rates as provided for in the rate stabilization plan approved by the Public Utilities Commission of Ohio. Beginning January 1, 2006, rates may be modified by up to 11% of generation rates to reflect increased costs associated with fuel, environmental compliance, taxes, regulatory changes, and security measures. The Company has held its prices constant since 1994 and we are proud of our record of delivering reliable and quality customer service at competitive rates.

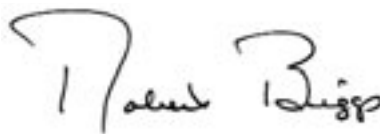
Closing the Books on 2004

We look back on 2004 with satisfaction. We have methodically strengthened DPL Inc., installing new leadership, reconstituting our Board, and sharpening corporate governance. With the agreement to sell the private equity investments, DPL is firmly on the path to re-establishing itself as a well-managed, traditional electric energy and utility company.

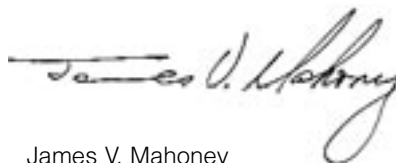
As a final note, Jane Haley is retiring from the Board of Directors at the end of her current term. Mrs. Haley, a Director since 1978, has made numerous contributions to the Board of Directors, our shareholders and the communities we serve. We sincerely thank Jane for her 28 years of dedication and service to the Company.

We close the books on an eventful 2004 and look to the future with excitement as we return our focus to the core energy business, while providing you, our shareholders, with the solid returns you've come to expect from DPL.

Thank you for your confidence and support.



Robert D. Biggs
Executive Chairman



James V. Mahoney
President and Chief Executive Officer

March 14, 2005



During 2004, a new dense pack turbine was installed on Stuart Station's Unit 4. The dense pack rotor has an aerodynamic design that essentially grabs more steam, improving the heat rate and fuel efficiency of the unit. Here, Lawrence Lofton, Equipment Mechanic, inspects a turbine rotor.



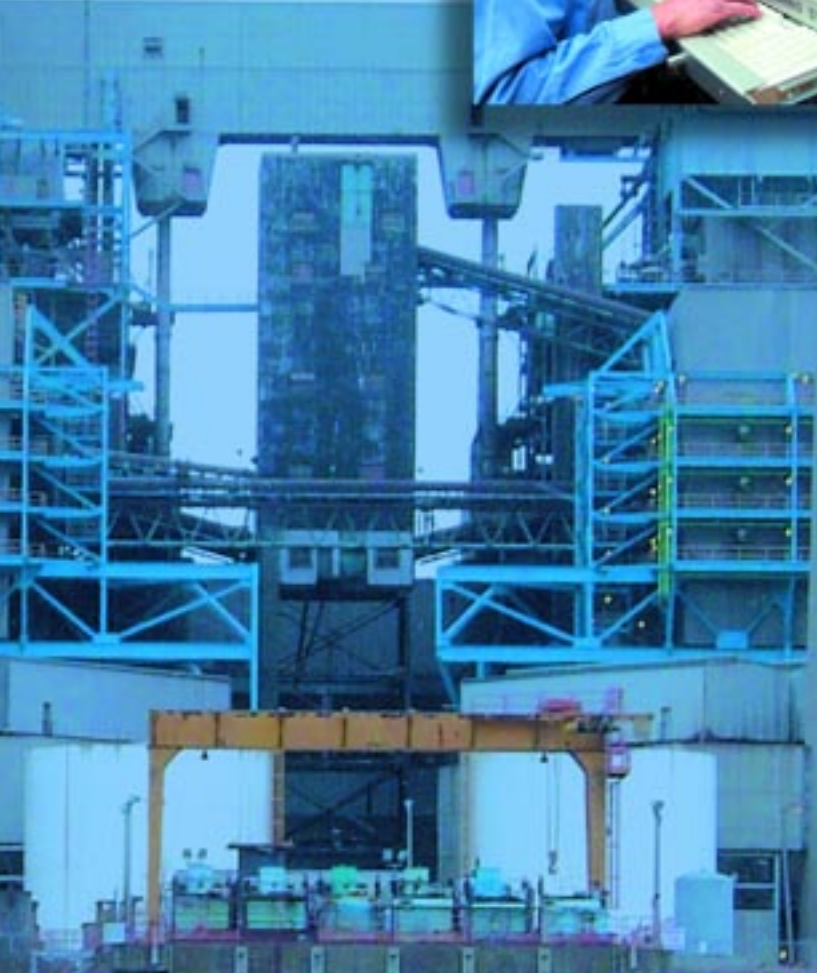
Pictured above is the 600 megawatt unit at Killen Station, capable of producing enough power for approximately 600,000 homes.



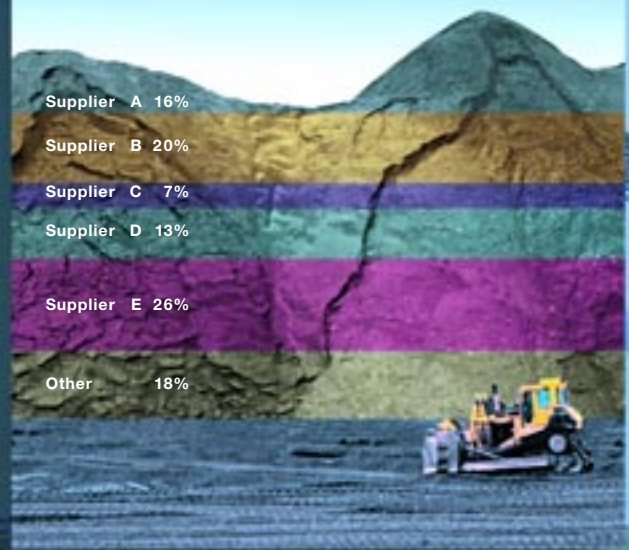
In 2004 electric generating efficiency improved 2.5% over 2003.



A recent investment in power plant reliability, Stuart Station's new acoustic monitoring system provides technicians like Ron Griffith with an early warning of potential boiler leaks by "listening" to the inside of the 175-foot high boiler.



Diversity of Coal Supply



DP&L purchases coal from a variety of sources to ensure a steady and reliable low cost supply.



Tommy Conway, tugboat pilot, has been guiding DP&L coal barges for over 25 years.

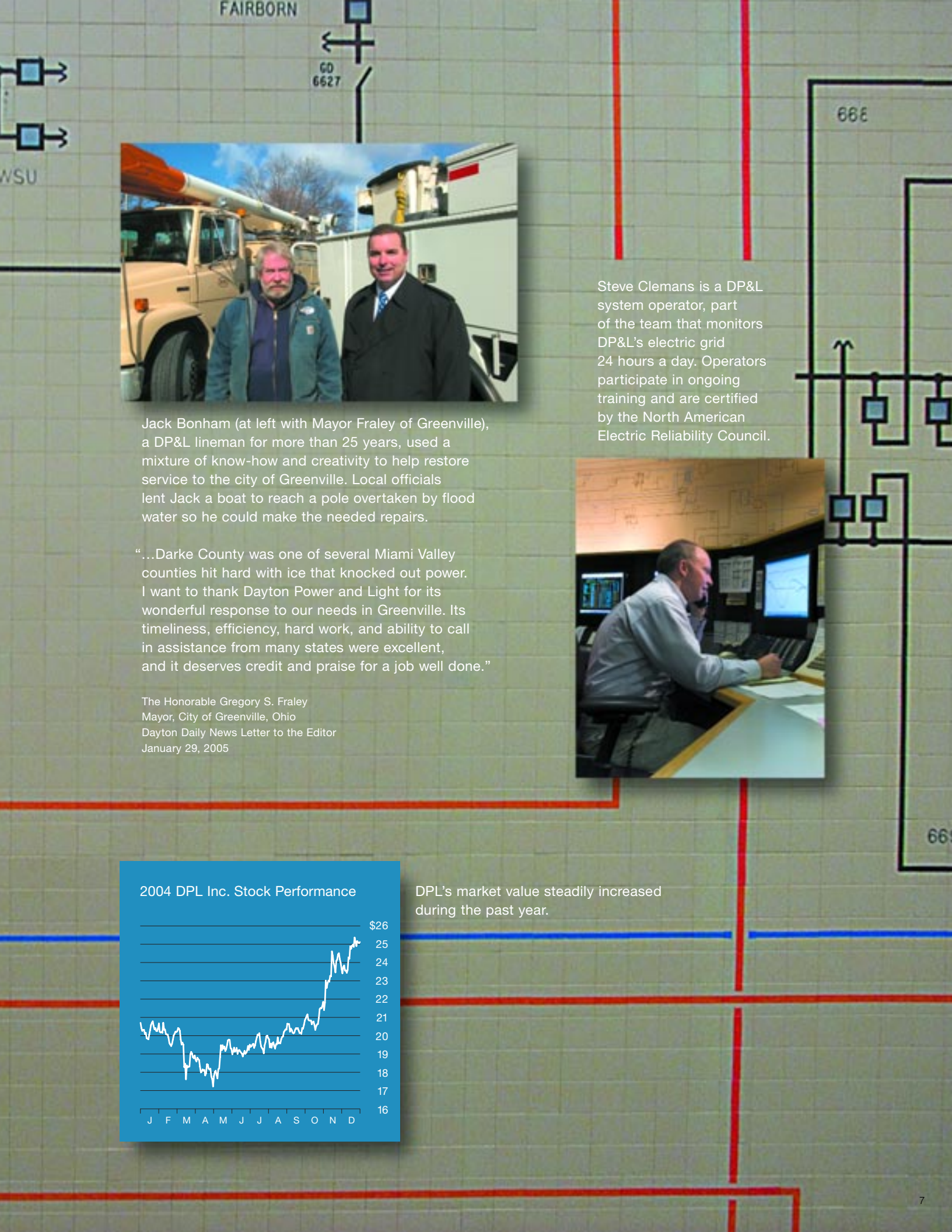
Teresa Marrinan, DP&L Risk Manager, works to ensure that the company's financial interests are well protected in the buying and selling of electricity within the regional marketplace.



In October of 2004, DP&L fully integrated into the PJM Regional Transmission Organization, with PJM taking control of the DP&L transmission system. As a PJM member, DP&L now buys and sells wholesale power within the PJM footprint, which covers 12 states and serves more than 45 million people.

At left is PJM's control room.

Photo courtesy of PJM



Jack Bonham (at left with Mayor Fraley of Greenville), a DP&L lineman for more than 25 years, used a mixture of know-how and creativity to help restore service to the city of Greenville. Local officials lent Jack a boat to reach a pole overtaken by flood water so he could make the needed repairs.

“...Darke County was one of several Miami Valley counties hit hard with ice that knocked out power. I want to thank Dayton Power and Light for its wonderful response to our needs in Greenville. Its timeliness, efficiency, hard work, and ability to call in assistance from many states were excellent, and it deserves credit and praise for a job well done.”

The Honorable Gregory S. Fraley
 Mayor, City of Greenville, Ohio
 Dayton Daily News Letter to the Editor
 January 29, 2005

Steve Clemans is a DP&L system operator, part of the team that monitors DP&L’s electric grid 24 hours a day. Operators participate in ongoing training and are certified by the North American Electric Reliability Council.



DPL’s market value steadily increased during the past year.



DPL and The Dayton Power and Light Company Foundation support a variety of community projects and organizations. The Foundation alone provides \$1 million to the community each year. Pictured is the new Cox Arboretum and Gardens in Dayton, Ohio. Supported in part by DPL and the DP&L Foundation, the arboretum's new educational center and 189 acres of outdoor gardens host more than 280,000 visitors each year.



DPL employees and their families volunteer countless hours in the community. Here, DPL's Jack Hounshell, Facilities Manager, reads to Fairview Elementary's *English as a Second Language* class.



Dayton, Ohio is the birthplace of aviation and home to Wright-Patterson Air Force Base, DPL's single largest customer. The base has a workforce of approximately 22,000, making it the fifth largest employer in Ohio and a key component of our community and local economy. Shown above is the National Museum of the United States Air Force, the oldest and largest military aviation museum in the world.



Corporate Information

Transfer Agent and Registrar Common Stock and DP&L Preferred Stock

Securities Transfer, Dividend Reinvestment Shareholder Inquiries

EquiServe
P.O. Box 43010
Providence, Rhode Island 02940
(781) 575-3100
(800) 736-3001
<http://www.equiserve.com>

Trustee

DP&L First Mortgage Bonds

The Bank of New York
Corporate Trust Administration
101 Barclay Street
New York, New York 10286
Also interest paying agent

Securities Listing

The New York Stock Exchange is the only national securities exchange on which DPL Inc. common stock is listed. The trading symbol is DPL.

Federal Income Tax Status of 2004 Dividend Payments

Dividends paid in 2004 on common and preferred stock are fully taxable as dividend income.

Annual Meeting

The Annual Meeting of Shareholders will be held at the Dayton Convention Center, 22 E. Fifth Street, Dayton, Ohio 45402, on Thursday, April 28, 2005 at 10:00 a.m. Eastern Time.

Form 10-K Report

DPL Inc. reports details concerning its operations and other matters annually to the Securities and Exchange Commission on Form 10-K, which will be supplied upon request. Please direct inquiries to DPL Shareholder Services.

DPL Inc.

1065 Woodman Drive
Dayton, Ohio 45432
(937) 224-6000

DPL Shareholder Services

(937) 259-7150 (800) 322-9244

Analyst Inquiries

(937) 259-7208

Directors

Robert D. Biggs

Executive Chairman, DPL Inc. and DP&L
Retired Managing Partner
PricewaterhouseCoopers

Paul R. Bishop

Chairman and Chief Executive Officer
H-P Products, Inc.
Louisville, Ohio

James F. Dicke, II

Chairman and Chief Executive Officer
Crown Equipment Corporation
New Bremen, Ohio

Ernie Green

President and Chief Executive Officer
Ernie Green Industries
Dayton, Ohio

Jane G. Haley

Chairman, President and
Chief Executive Officer
Gosiger, Inc.
Dayton, Ohio

Glenn E. Harder

President
GEH Advisory Services
Former Executive Vice President and
Chief Financial Officer
Carolina Power and Light
Raleigh, North Carolina

W August Hillenbrand

Non-Executive Vice-Chairman, DPL Inc.
Principal
Hillenbrand Capital Partners
Retired President and
Chief Executive Officer
Hillenbrand Industries
Batesville, Indiana

Lester L. Lyles

Retired General
U.S. Air Force
Former Commander of the
Air Force Materiel Command
Dayton, Ohio

James V. Mahoney

President and Chief Executive Officer
DPL Inc. and DP&L
Dayton, Ohio

Dr. Ned J. Sifferlen

President Emeritus
Sinclair Community College
Dayton, Ohio

Officers DPL Inc. & DP&L

Robert D. Biggs (62/1)

Executive Chairman
DPL Inc. and DP&L

James V. Mahoney (59/2)

President and Chief Executive Officer
DPL Inc. and DP&L

Miggie E. Cramblit (49/1)

Vice President, General Counsel and
Corporate Secretary
DPL Inc. and DP&L

John J. Gillen (51/1)

Senior Vice President and
Chief Financial Officer
DPL Inc. and DP&L

Pamela Holdren (43/5)

Vice President and Treasurer
DPL Inc. and DP&L

Arthur G. Meyer (55/12)

Vice President
DPL Inc. and DP&L

Gary G. Stephenson (40/1)

Vice President, Commercial Operations
DPL Inc. and DP&L

Patricia K. Swanke (46/14)

Vice President, Operations
DP&L

Daniel L. Thobe (54/1)

Corporate Controller
DPL Inc. and DP&L

W. Steven Wolff (51/3)

President, Power Production
DPL Inc. and DP&L

(Age/Years of Service)

