



1065 Woodman Drive, Dayton, Ohio 45432

[www.dplinc.com](http://www.dplinc.com)





## Highlights

### Financial Performance

	2003	2002 (as restated)
Earnings per share of common stock		
Basic	\$ 1.24 <sup>(a)</sup>	\$ 0.76
Diluted	\$ 1.22 <sup>(a)</sup>	\$ 0.73
Cash provided by operating activities (millions)	\$ 350.3	\$ 313.8
Dividends paid per share	\$ 0.94	\$ 0.94
Book value per share at December 31	\$ 7.52	\$ 6.89
Average shares outstanding (millions)		
Basic	119.8	119.5
Diluted	121.7	124.5

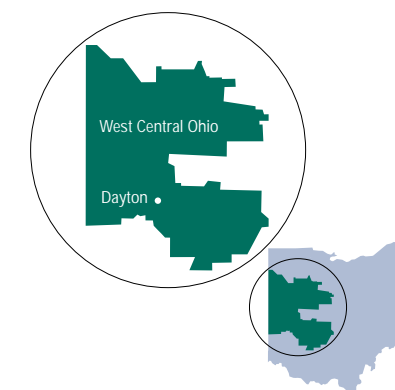
*(a) Includes \$0.14 per share from cumulative effect of accounting change.*

### Operating Performance

System peak load-MW (calendar year)	2,981	3,051
Total energy capital additions (millions)	\$ 102	\$ 166
Environmental capital additions (millions)	\$ 36	\$ 69
Average price per kWh (calendar year) (cents/kWh)	6.95	6.96

### Corporate Profile

DPL Inc. is a diversified regional energy company. DPL's principal subsidiaries include The Dayton Power & Light Company (DP&L) and DPL Energy. DP&L provides electric services to over 500,000 retail customers in West Central Ohio. DPL Energy markets over 4,400 megawatts of generation capacity throughout the eastern United States. DPL Inc., through its subsidiaries, ranks among the top energy companies in generation efficiency and productivity. Further information on DPL Inc. can be found at [www.dplinc.com](http://www.dplinc.com).



#### *On the Cover*

*An intermediate feedwater heater at DPL's Killen Generating Station in Manchester, Ohio helps increase plant efficiency by using turbine steam to preheat water before it enters the boiler.*



**Investing in the Environment**

*DP&L has a strong track record of meeting environmental regulations in a cost-effective and responsible manner. In early 2004, the company completed its \$175 million investment in selective catalytic reduction (SCR) control equipment, designed to reduce NOx emissions. With the help of DP&L's early and aggressive procurement efforts, the project was completed at approximately 20% below the cost of current installations.*

*Pictured are Troy Williams, John Shaw and Fred Silvers at the base of Stuart Station's 370-foot high cooling tower. With its natural air draft system, the cooling tower lowers the temperature of water heated during the production process so it can be safely and efficiently recycled.*

**To Our Shareholders**

We are pleased to provide you with this Annual Report for the year 2003 as well as to report to you on important initiatives to make your Company stronger in all aspects. These initiatives reflect the commitment of DPL's new management team, our full Board of Directors, and all of our employees to ensuring the highest standards of service to our customers, excellence in corporate governance, integrity in financial reporting, and value for our shareholders.

Financially, 2003 was a solid year for your Company. DPL reported basic earnings per share of \$1.24 in 2003 versus \$0.76 per share in 2002. DPL's net income and cash flow from operations improved over 2002, in spite of increased operating costs primarily resulting from electric production costs and corporate expenses. Through 2003, liquidity remained strong with \$338 million in cash and \$140 million in public securities as of December 31, 2003. With these solid financials, the Board declared a 2% dividend increase, from \$0.94 to \$0.96 per share in December 2003.



Robert D. Biggs  
Chairman

**Thank You for Your Patience**

During the past six months, we undertook a thorough and time-consuming review of DPL's financial statements for the past three years. We appreciate the patience of our shareholders during this period. We are grateful for the confidence you have shown in DPL, and as your new Chairman and Chief Executive Officer, we assure you that we share a deep commitment to the success of your Company.



James V. Mahoney  
President & Chief Executive Officer

This review delayed the filing of our Securities and Exchange Commission (SEC) Form 10-K for 2003 and resulted in restatement adjustments to previously filed annual reports for years 2001 and 2002. Complete details related to these restatement adjustments are included in the enclosed Form 10-K.

Concurrent with the filing of our 2003 financial statements, we immediately announced the resumption of our dividend payments. We recognize how important the dividend is to our shareholders and regret its delay.

We also thank our employees for remaining focused and dedicated to performing the job at hand, delivering quality customer service and running our plants at peak performance.

**Strengthening Your Company**

On May 16, 2004, the Board of Directors took decisive and sweeping actions to protect and further the interests of all DPL stakeholders. Our actions included the appointment of Robert Biggs as Chairman, W August Hillenbrand as non-executive Vice Chairman, and James Mahoney as Chief Executive Officer. The Board further reinforced its commitment to full disclosure, an increased level of stakeholder communication and sound internal controls.

Since that time, we have taken significant steps to further strengthen your Company.

**Corporate Governance** First, we continue to implement best practices for ongoing corporate governance. We have rebuilt our Board of Directors with individuals of accomplishment and diversity of experience. We recently announced the addition of four new Board members – Glenn Harder, Retired General Lester Lyles, Dr. Ned Sifferlen, and James Mahoney. These individuals add an outstanding combination of financial expertise, industry knowledge and community leadership. Eight of the ten Board members are now independent directors under rules of the New York Stock Exchange.

In addition, the Chairman of the Board will remain separate from the Chief Executive Officer. With the addition of new directors, we will revamp our committee chairs and assignments. Directors will undergo orientation, ongoing education programs and performance evaluations. They will also have frequent interaction with management and make periodic visits to operating units.

**Board Oversight** The Board will continue its active participation in the development of corporate strategy and the tracking of operational results. We will review management performance, plans to build second tier bench strength, and management's analysis of important operational and industry challenges and opportunities. We have adopted new corporate risk management and investment policies. And, we have made great progress on the recommendations generated by the independent investigation of an employee's concerns.

**Financial Asset Portfolio Review** The Board is undertaking a thorough review of the financial asset portfolio with the assistance of Morgan Stanley. The financial portfolio is broadly diversified and currently generating strong cash flow. We will consider a range of strategic options, with no preconceived outcome other than what is in the best interests of our shareholders. In addition, all accounting and financial reporting responsibilities for the portfolio have been consolidated under the supervision and oversight of the Chief Financial Officer and Controller.

#### **DPL – Fundamentally Sound**

As we look at DPL today, it is clear this is a strong company, organizationally, operationally and financially. We move forward with solid fundamentals:

- Changes in senior management and the introduction of new Board members bring fresh perspectives to corporate governance and management initiatives that will strengthen the Company.
- Our generating plants and delivery system consistently win high marks for efficiency and low costs.
- We provide our customers with reliable service at prices that have not increased in a decade and will remain stable at least through 2008.
- Our service territory is economically resilient. We have a strong and diverse customer base that produces roughly \$1 billion in annual revenue.
- The financial asset portfolio continues to be self-funding and is valued at approximately \$1 billion.

This strong foundation will serve us well as the management team focuses on the basics of running the energy business. We believe there are four key issues that will require careful planning, close oversight and periodic adjustments. They are



#### **Record Production, Outstanding Reliability**

*In 2003, DP&L generating plants established an all-time record in electricity production while meeting operational, cost control and safety goals. Pictured is the 600 megawatt turbine at the DP&L-operated Killen Station, which ran a station record 162 consecutive days during 2003 and into 2004. DP&L's Stuart Station Unit 4 also ran for more than 100 continuous days, a streak which only ended when the unit was intentionally taken off line for planned maintenance.*

*Pictured left to right: Bob Young, Gwen Hines, Bob Spires, Steve Owens.*



fuel procurement, environmental compliance, operating in the PJM regional transmission organization (RTO), and managing the rate stabilization plan.

**Fuel Procurement** We burn approximately eight million tons of coal per year at our DPL-operated plants. Managing this expense in a volatile fuel market with the proper balance of short- and long-term contracts is one of our highest priorities.

**Environmental Compliance** DPL is committed to maintaining our strong environmental performance in a cost-effective manner. With our early purchasing efforts, we recently completed a \$175 million NOx-reduction investment at costs approximately 20% below current installations. We plan to bring this same focus on cost and productivity to future required environmental programs.

**The PJM Market** As we announced on September 30, 2004, we have successfully integrated DPL's transmission system into the PJM RTO. As a low-cost producer, we believe our participation will create new opportunities with respect to our ability to provide customers with reliable, cost-effective power.

**DPL's Rate Stabilization Plan** DPL was the first utility in Ohio to gain approval of its rate stabilization plan. It provides customers with fixed prices through 2005 and rate stability through 2008. At the same time, it provides DPL with the opportunity to recover increased costs associated with environmental compliance, fuel, taxes and security.

We are making appropriate risk management and organizational changes to enhance our ability to manage these and other critical operational issues going forward. We will keep you updated as to our progress through information posted on our website, news releases and quarterly earnings conference calls made available to all at [www.dplinc.com](http://www.dplinc.com).

In closing, the Company performed well in 2003 and responded effectively to significant challenges over the spring and summer. We look to the future with excitement and optimism. The Board of Directors, the new leadership and the 1,500 employees of DPL are committed to providing our customers with quality service while delivering to you, our shareholders, the solid returns you've come to expect from DPL.

Once again, thank you for your confidence and support.

Robert D. Biggs  
Chairman

James V. Mahoney  
President and Chief Executive Officer

November 10, 2004

**Leveraging Technology**

During 2003, DP&L continued to utilize new technology to deliver quality service while controlling costs.

Here, DP&L's Dave Harris uses a specially-equipped vehicle to read some of the company's 81,000 remote-controlled electric meters. As he drives down the street, automated meters beam the meter reading to the vehicle via radio signals. DP&L can read 1,000 automated meters in an hour at one tenth the cost of reading traditional meters.



**Steady Growth**

DP&L, the regulated electric utility, serves more than 500,000 customers throughout 24 counties in West Central Ohio, generating a steady annual revenue stream of approximately \$1 billion. During 2003, new home construction remained strong in the region, up 5.8% over 2002.

Pictured left to right: Scott Kelly, Aaron Cozatt, Kelly Millhouse, Brian Frost.



**Supporting our Community**

Dayton Power and Light (DP&L) and its employees have a long history of serving West Central Ohio. In 1985, DP&L established The Dayton Power and Light Company Foundation as a means to reinvest in the communities it serves and contribute to the region's overall quality of life. Annually, the Foundation donates more than \$1 million to a variety of civic, cultural, and youth organizations, placing particular emphasis on those that have an educational focus.

*Pictured are Ginny Strausburg, DP&L Foundation Executive Director, and Felecia Brown, DPL Financial Activities, at Dayton's new Schuster Performing Arts Center. The DP&L Foundation is one of the many organizations that made this new state-of-the-art facility a reality.*

**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  
2003 Dividend Payments**  
Dividends paid in 2003 on Common  
and Preferred Stock are fully taxable  
as dividend income.

**Annual Meeting**  
The Annual Meeting of Shareholders  
will be held at The Mandalay Banquet  
Center, 2700 East River Road,  
Dayton, Ohio 45439, on Wednesday,  
December 22, at 10:00 a.m. Eastern  
Standard 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**  
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

**James V. Mahoney** (59/1)  
President and Chief Executive Officer  
DPL Inc. and DP&L

**Miggie E. Cramblit** (49/1)  
Vice President and General Counsel  
DPL Inc. and DP&L

**Pamela Holdren** (42/4)  
Treasurer and  
Interim Chief Financial Officer  
DPL Inc. and DP&L

**Arthur G. Meyer** (54/12)  
Vice President  
DPL Inc. and DP&L

**Gary G. Stephenson** (39/1)  
Vice President, Commercial Operations  
DPL Inc. and DP&L

**Patricia K. Swanke** (45/14)  
Vice President, Transmission &  
Distribution Operations  
DP&L

**Daniel L. Thobe** (53/1)  
Corporate Controller  
DPL Inc. and DP&L

**W. Steven Wolff** (51/3)  
President, Power Production  
DPL Inc. and DP&L

(Age/Years of Service)

*All Directors of DPL Inc. are also Directors of DP&L.*