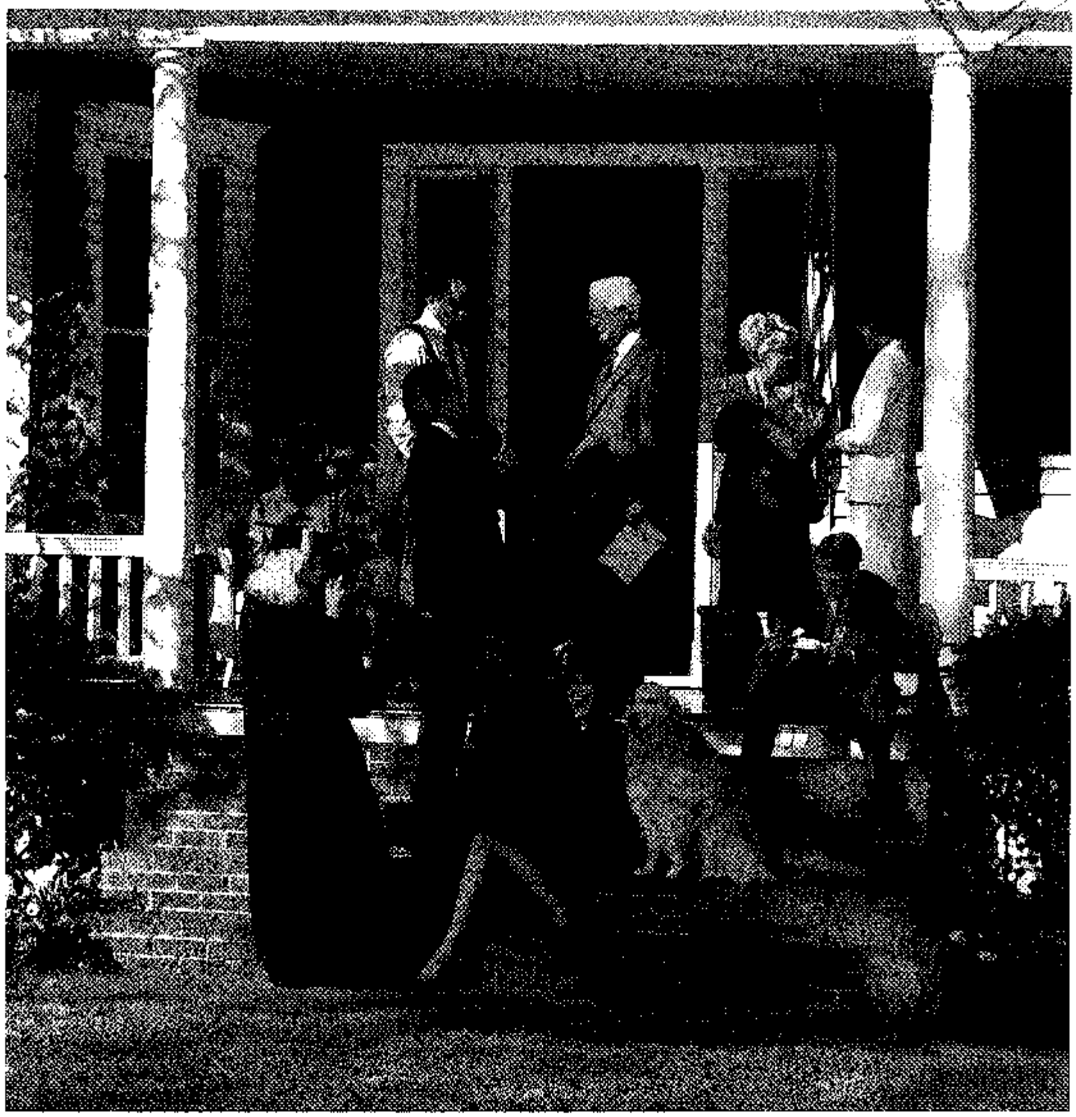
1991
Annual Report



Performing Responsibly

DPL

DPL Inc. was formed in 1986 as a holding company. Its principal subsidiary is The Dayton Power and Light Company (DP&L). DP&L sells electricity and natural gas to residential, commercial, industrial and governmental customers in a 6,000 square mile area of West Central Ohio, and employs over 3,100 people. Electricity for DP&L's 24 county service area is generated at eight power plants and is distributed to 457,000 retail customers. On a wholesale basis, electric energy is supplied to 13 municipalities. Natural gas service is provided to 281,000 customers in 16 counties. DP&L also provides steam service to 230 customers in downtown Dayton for heating and industrial processing. The corporate offices of DPL Inc. are located at Courthouse Plaza Southwest, Dayton, Ohio 45402, (513) 224-6000.

Performing Responsibly represents DPL Inc.'s daily commitment to the people and environment of West Central Ohio. Our strong operational performance, superior customer service and active community support strike a fair balance for our shareholders and customers. By investing in DPL Inc., shareholders have the opportunity to share in our success and save for their retirement, children's education and other financial goals.

Letter To Shareholders

We have just completed one of the most significant years in the history of your Company. The work that was accomplished, the milestones achieved and new directives undertaken have positioned DPL Inc. for an even greater leadership role in our industry. The successful completion and commercial operation of the William H. Zimmer Generating Station will contribute to our success in providing quality service and competitive prices throughout the 1990's.

Operationally, Zimmer is unmatched in its achievements as its 365 MW of power played an essential role in meeting our customers' energy requirements this past summer. For the nine months that Zimmer has operated, it has achieved a 91% availability, far exceeding the industry average, and particularly impressive for a brand new plant. Zimmer is also our most efficient plant and is contributing significantly to our goal of being a low cost energy producer. This operational performance, together with the fact that Zimmer meets all the requirements of the 1990 Clean Air Act, will assist us in providing cost effective and reliable energy for the economy of West Central Ohio.

Peter H. Forster

Allen M. Hill

With the start-up of Zimmer Station, we filed for an increase in electric prices in order to recover our investment in the plant. This price increase request was our first request in over eight years. DP&L employees have worked hard to ensure that the interests of both our shareholders and customers are treated fairly in this process. Utilizing a negotiating process established by the Public Utilities Commission of Ohio, we entered into a settlement to increase electric revenue $129 million, on a one-time basis, phased in over a three year period. The settlement incorporates a number of innovative provisions. It provides for a baseline return on equity of 13% and outlines a renewed effort by DP&L to continue to provide energy programs and other demand-side management services for our customers. DP&L President Allen Hill was instrumental in this process and set the stage for the agreement which benefits all the parties involved.

We received final approval from the PUCO for our electric rate case settlement in late January. Although full inclusion of our investment in Zimmer in rates will not be achieved until 1994, we are confident that your Company can achieve its operational and financial goals under this settlement. Upon PUCO approval, the initial price increase for electric customers became effective February 1, 1992, with subsequent increases in January 1993 and 1994.

Also in January, the PUCO approved our settlement to increase steam prices 20% effective February 1, 1992. Our natural gas settlement, which has been submitted to the PUCO for approval, would provide for a 6% increase in natural gas prices. In accordance with the settlement, the price increase would not go into effect until March 1, 1992.

Unfortunately, despite all of Zimmer's operational achievements, it was not possible to avoid the impact that regulatory requirements had on our 1991 financial results. As we've been reporting to you throughout the year, due to the regulatory delay required by Ohio law in recovering the costs associated with Zimmer, earnings were down as compared to last year. As of year-end, earnings were $1.73 per share, a reduction from the $2.23 per share earned a year ago. Return on shareholders' equity is 11.0%. Looking ahead, with the approval of the settlement, we will begin to recover the costs associated with Zimmer and improve our financial results.

Despite the fact that we will not have Zimmer fully reflected in our prices until 1994, we do expect to see an improvement in our cash flow as the amount of construction expenditures levels off. This positive cash flow position will allow us to maintain a secure dividend. As you are aware, a year ago the annual dividend rate was increased to $1.62 per share. Future dividend growth will be dependent, to a great extent, on our financial performance under the settlement provisions. Our objective, however, is to continue to provide our shareholders with a current meaningful return.

As we head into 1992, we are confident that we have taken the right steps this past year to be successful. Our commitment to high levels of operational performance and price competitiveness will enable us to responsibly meet the needs of the many constituencies we serve and to work together to improve your Company.

Peter H Forster

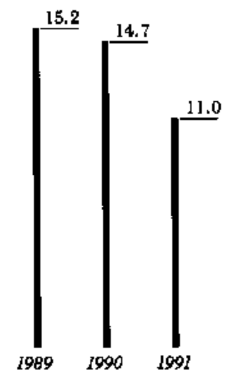
Peter H. Forster
Chairman, President and CEO
DPL Inc.

Financial and Operating Highlights

		1991	1990	% Change
Financial Performance:				
Return on shareholders' equity	%	11.0	14.7	—
Return on total capital	%	10.0	11.7	—
Earnings per share of common stock	$	1.73	2.23	(22)
Dividends paid per share	$	1.62	1.56	4
Taxes per share	$	2.30	2.27	1
Book value per share at December 31	$	15.58	15.47	1
Market value per share at December 31	$	25⅞	19¼	34
Number of common shareholders		53,846	53,030	2
Cash provided by operating activities (millions)	$	173.7	162.7	7
Capital Investment Performance:				
Construction additions (millions)	$	117.4	249.2	(53)
Construction expenditures paid from internal funds	%	100	100	—
DP&L Operating Performance:				
Electric—				
Revenues (millions)	$	790.7	736.3	7
Average price per kWh—retail and wholesale customers (calendar year)	¢	5.87	5.76	2
Generating units—				
Available for maximum performance—				
Company-operated	%	88.2	90.2	—
Industry average	%	80.2	80.7	—
Productivity savings (millions)	$	3.7	10.6	(65)
Fuel efficiency—				
Heat rate—Btu per kWh		9,912	9,881	—
Industry average		10,367	10,312	1
Fuel savings (millions)	$	10.7	9.1	18
System peak load—MW (calendar year)		2,730	2,643	3
Reserve margin—capacity relative to peak load	%	10.5	0.5	—
Gas—				
Revenues (millions)	$	201.0	204.9	(2)
Average price per MCF—retail customers (calendar year)	$	4.39	4.65	(6)
Purchased gas cost per MCF	$	2.70	3.26	(17)

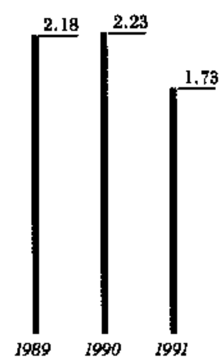
Return On Shareholders' Equity

Percent



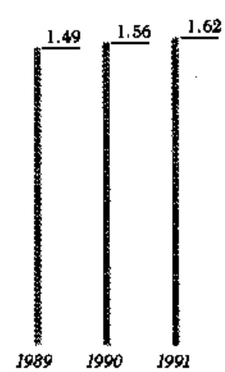
Earnings Per Share

Dollars



Dividends Per Share

Dollars



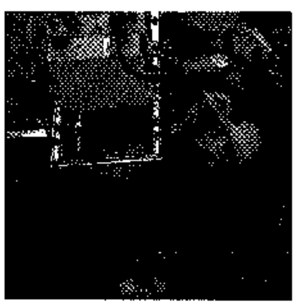
Year In Review

At DPL Inc., we recognize and embrace the responsibility we have to our shareholders, customers, community and employees. Our efforts in successfully addressing the concerns and needs of all we serve have resulted in nationally recognized utility operations and have contributed to a high quality of life in the communities we serve. With the successful completion of the William H. Zimmer Generating Station and the collaborative settlement of our electric, gas and steam rate cases, our 1991 accomplishments are examples of how we balance the creation of shareholder value and quality customer service.

The William H. Zimmer Generating Station began commercial operation ahead of schedule on March 30, 1991, and has performed exceptionally well. Zimmer has exceeded all industry efficiency and productivity averages, enabling us to provide for the ever increasing energy needs of our customers. The conversion of Zimmer Station involved some of the most technically innovative techniques ever implemented for an electric power plant. The result is a generating facility that is one of the cleanest and most efficient coal-fired plants in the nation today.

DP&L'S RECENT ACQUISITION OF 339 MILES OF NATURAL GAS TRANSMISSION PIPELINE PROVIDES ACCESS TO A GREATER NUMBER OF INTERSTATE PIPELINES AND NATURAL GAS DISTRIBUTORS FURTHER IMPROVING OUR SUPPLY OPTIONS AND COMPETITIVE PRICE POSITION IN THE MARKET.

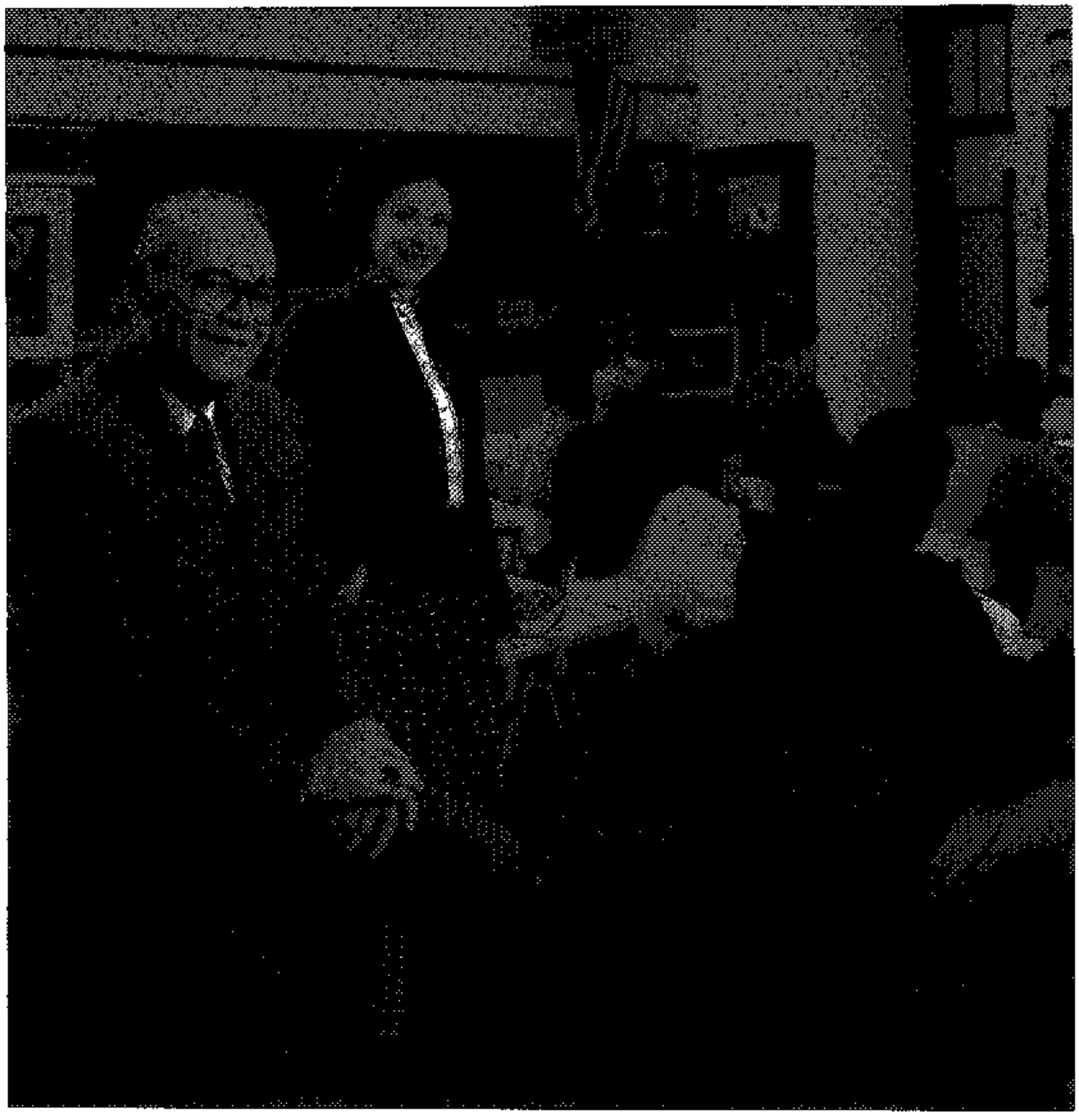
Systemwide, Dayton Power and Light continues to rank among the best utilities in the nation in both productivity and efficiency. Combined with the high operational performance of Zimmer, our 1991 system-wide equivalent availability of 88.9% again ranks among the best nationally. This productivity measurement, which represents the amount of time our units are available for maximum performance, is well above the industry average of 80.2%. Over the past five years, our customers have saved approximately $110 million due to this high level of performance.



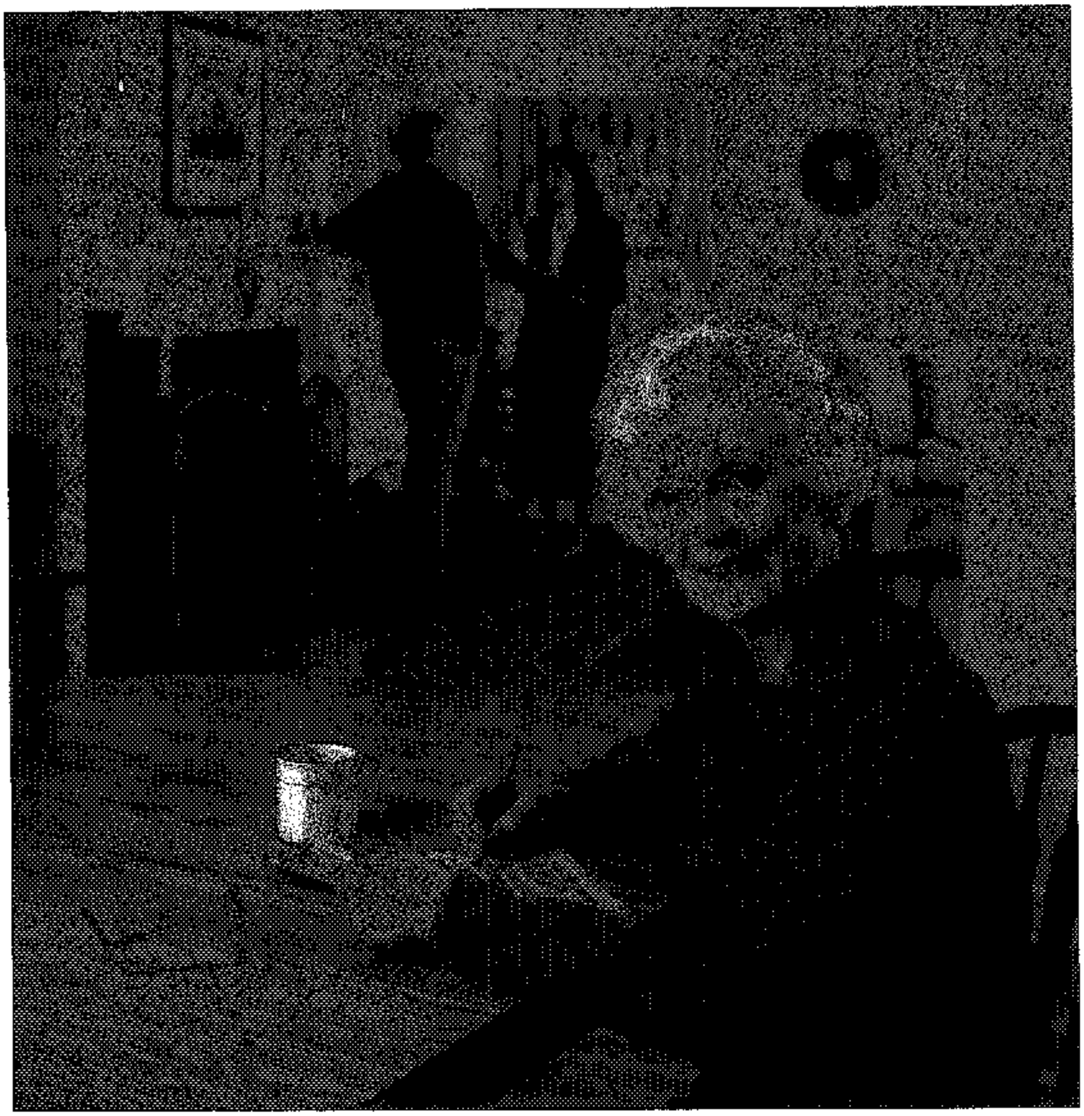
THE DEDICATION AND PERFORMANCE OF ALL TEAM DP&L EMPLOYEES IN 1991 CONTRIBUTED TO DP&L'S RECOGNITION AS ONE OF THREE UTILITIES IN THE NATION TO BE NOMINATED AS UTILITY OF THE YEAR BY *ELECTRIC LIGHT AND POWER* MAGAZINE.

Zimmer Station is also playing a role in continuing our tradition of efficient management of our fuel resources. As our most efficient generating unit, Zimmer helped DP&L achieve a system-wide heat rate of 9,912 Btu/kWh which is significantly below the industry average of 10,367 Btu/kWh. Heat rate is a measure of a utility's level of efficiency in converting fuel into electricity. DP&L's power plant efficiencies in the past five years have contributed to $47 million of additional savings for our customers.

Responsible operations and utilization of resources have been key to Dayton Power and Light's solid record of producing environmentally safe energy. Of the power plants we operate, all are in compliance with Phase I requirements of the 1990 Clean Air Act Amendments. Limited fuel switching to lower sulfur coal at plants owned in common with other utilities will be required to meet the 1995 Phase I



COMMUNITY DPL INC. HAS A LONG STANDING TRADITION OF BEING INVOLVED IN THE COMMUNITIES WE SERVE. THE GREAT EXPECTATIONS PROJECT HELPS STUDENTS TO INCREASE THEIR KNOWLEDGE OF SCIENCE AND HISTORY, HONORS OUTSTANDING LOCAL TEACHERS AND ENCOURAGES AREA RESIDENTS TO TAKE A MORE ACTIVE ROLE IN THE EDUCATIONAL PROCESS.

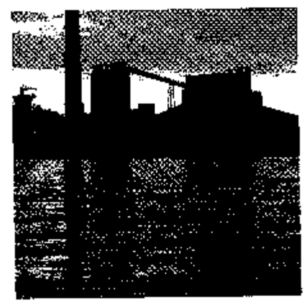


Customer Using energy wisely and preserving our natural resources is a common goal we all share. Through our Personal Energy Profile Program and Residential Home Energy Audits, Dayton Power and Light Company representatives have provided thousands of customers with valuable information on their energy needs as well as ways they can manage their energy usage in a cost effective manner.

requirements. Beyond the year 2000, additional SO_2 reductions will need to be achieved and we anticipate installing environmental control equipment at one or two of our commonly-owned generating facilities. The cost of compliance with the Clean Air Act Amendments is not expected to alter DP&L's competitive position in the region.

To recover the costs associated with the construction of Zimmer Station and earn a return on our investment for shareholders, in April of 1991, Dayton Power and Light filed a request with the Public Utilities Commission of Ohio (PUCO) to increase its electric prices. This request was our first in over eight years.

A settlement between Dayton Power and Light and the parties in the electric rate proceeding was reached in early November through an "Alternative Dispute Resolution" process initiated and encouraged by the PUCO. This settlement, approved January 22, 1992, provides the Company with an electric revenue increase of approximately 6.4% per year to be phased in over the next three years and establishes a baseline allowed return on equity of 13%. In the event that DP&L's return exceeds the allowed return by one but not more than two percent, then one half of the excess return will be used to reduce the cost of demand-side management programs. Any return that exceeds the allowed return by more than two percent will be entirely credited to these same programs.



THE 1,300 MEGAWATT WM. H. ZIMMER GENERATING STATION, DP&L'S EIGHTH COAL-FIRED PLANT, IS HELPING US TO MEET THE GROWING ENERGY REQUIREMENTS OF THE BUSINESSES AND CUSTOMERS IN OUR SERVICE AREA.

As part of the Agreement, DP&L will substantially expand its customer and demand-side management programs. Up to $60 million will be spent over the next four years. This represents the largest commitment of any Ohio utility to preserving our energy resources and providing customers with the opportunity to manage their energy costs.

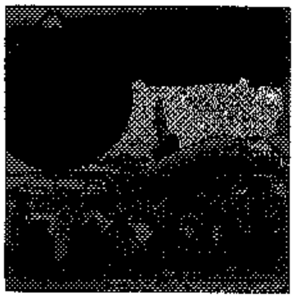
The PUCO also found DP&L's requested 20% increase in steam prices to be a fair and reasonable resolution of its steam case. Both electric and steam price increases became effective on February 1, 1992.

EACH YEAR DP&L EMPLOYEES PARTICIPATE IN THE ANNUAL UNITED WAY FUND RAISING CAMPAIGN THAT HELPS BENEFIT 60 LOCAL UNITED WAY AGENCIES THAT PROVIDE VITAL HUMAN SERVICE NEEDS THROUGHOUT THE DAYTON AREA.

In addition, in early January DP&L and the parties involved in the natural gas case proceeding entered into a negotiated settlement providing for a 6% increase in natural gas rates. Under the terms of the natural gas settlement, we agreed to delay the price increase until after the winter heating season ended March 1 to help minimize the price impact on our customers this year. This settlement has been submitted to the PUCO for approval.

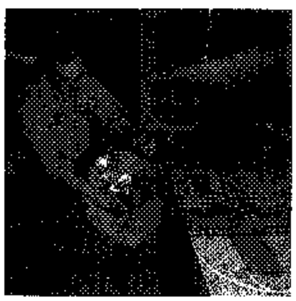
DPL continues its commitment to the economic vitality of West Central Ohio. Through our Investment in Business programs for both existing and new business development, over 47,000 new jobs have been created since 1986 and more than 1,600 companies have participated in our price incentive economic development programs. Additionally, the recent merger of the Air Force Logistics and Systems Commands at Wright Patterson Air Force Base makes Dayton the undisputed world center for Air Force research and logistics support. As the largest Air Force base in the free world employing nearly 29,000 people, Wright Patterson is the region's largest employer. The recent merger of AT&T and NCR will also benefit Dayton's economic base with the presence of a major division of a Fortune 100 company.

While recessionary trends persist throughout the national economy, Dayton's overall business environment has remained stable. In fact, during 1991, we experienced a moderate increase in sales to business customers despite a slowdown in the national economy and in many regions of the country. The result of Dayton's diversified economy has been an unemployment rate lower than the state and national averages for the past seven years. These positive attributes helped to distinguish Dayton as an "All American City" in 1991, attesting to its enjoyable and productive living environment.



As the birthplace of aviation, Dayton is home to the internationally renowned U.S. Air and Trade Show which attracts approximately 270 aerospace firms and over 250,000 spectators and participants from around the world.

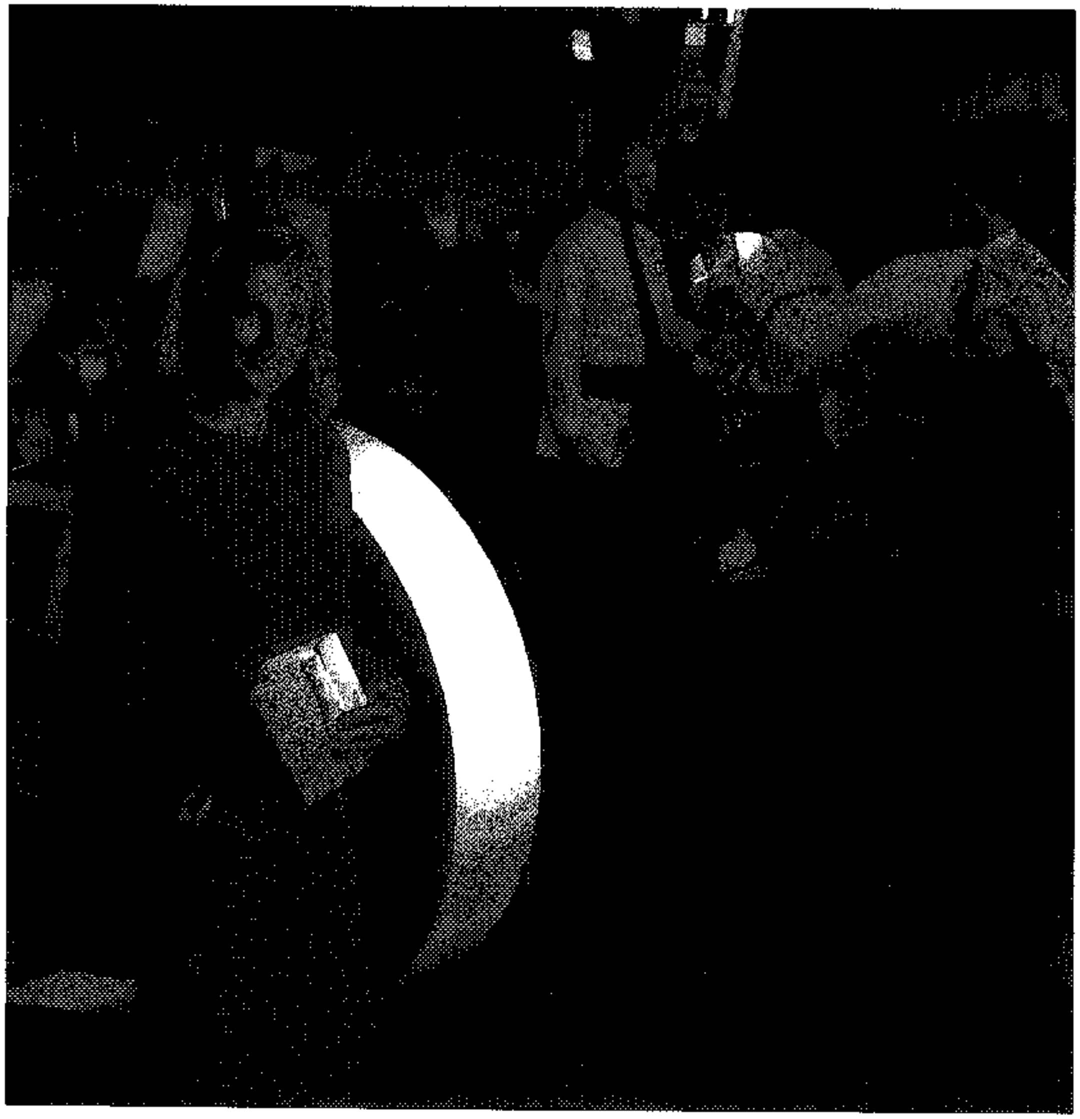
One good indication of Dayton's stability can be seen by the growth in customer energy demand which resulted in a new peak electricity usage of 2,730 MW in July 1991. This level of usage, which would have exceeded our available capacity without Zimmer, provides us with a reserve margin slightly under our 15% goal. Our plans include adding small, gas-fired combustion turbines throughout the decade beginning in 1995. This type of capacity addition is the best strategy for us. These units can be brought on line quickly, with relatively short construction lead time, plus we have existing sites available with the necessary transmission resources in place.



Through our Commercial Lighting Program, DP&L is providing customers such as the University of Dayton special incentives to install energy efficient lighting products that will conserve energy and help to manage their energy costs.

In our natural gas business, we have continued to diversify our supply of reliable, competitively priced natural gas. Since 1984, we have expanded our number of natural gas suppliers from one to the forty suppliers used today. This, along with our 1990 acquisition of 339 miles of natural gas pipeline, has provided us with greater flexibility and operational control in managing business situations like the July 1991 bankruptcy of Columbia Gas System, one of our major natural gas suppliers. Furthermore, our aggressive purchasing and diversified supply options have also reduced the average price of our natural gas from $5.87 per MCF in 1985 to $4.39 per MCF in 1991, representing over a 25% price savings for our customers over the past five years.

In order to provide the highest quality customer service,



Economic Development Bringing together businesses, financial institutions and area development groups is a vital element of DP&L's economic development activities. Through the collaborative efforts of such companies as Bank One, Dayton, NA and Pac National, a Wilmington, Ohio-based manufacturer of packaging envelopes, Southwestern Ohio's economy and job market continues to expand.

ENVIRONMENT PRESERVING OUR NATURAL RESOURCES BY PROVIDING CLEAN ENERGY IS IMPORTANT TO ALL OF US AT DP&L. OUR EFFORTS IN PROTECTING THE AIR, WATER AND LAND AROUND US HAVE IN TURN MADE WEST CENTRAL OHIO A SAFE AND ENJOYABLE PLACE TO LIVE AND WORK.

training and development of both current and prospective employees is critical to our success. Hiring the best people and providing them with the tools necessary to do an exceptional job is one way that Dayton Power and Light is planning for the future. The opening of our twenty-first customer energy center, in the City of Dayton, will also bring us to new levels of superior customer service. The new Broadway Service Center will not only help to meet the growing needs of our customers, but will be a central training center for all customer service employees throughout the Company.

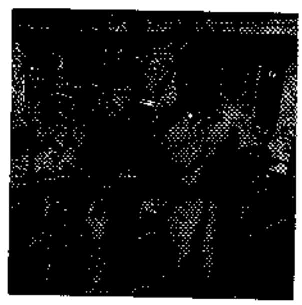
Community involvement is totally integrated into the Company's operations and workforce. Through such programs as our Volunteer Insulation Program, we have insulated over 13,000 homes for needy families throughout our service territory. Company employees have also evaluated the energy usage of approximately 43,000 customers through our Personal Energy Profile Program, instructing them on how to make their homes more energy efficient. These programs and others help DP&L manage and plan for future customer energy usage.

Performing responsibly is more than just providing West Central Ohio with electric and gas service though. It is supporting the communities where we work and live. Through the volunteer efforts and leadership role of our employees, Team DP&L has donated countless hours of volunteer work and charity to such organizations as The United Way, Community Blood Bank, and the "Great Expectations Project," a year-long Hearst Broadcasting program DP&L is co-sponsoring with a local bank and television station to enhance the educational development of local area youth.

Innovation and commitment to quality is an integral part of our business. The shared vision and commitment of Team DP&L is the driving force that has brought us through the difficult times of the current recession, the pending regulatory proceedings, and the completion of Zimmer Station.

We have worked hard within the regulatory framework to determine a solution that makes sense for both our shareholders and customers. Our goal is to continue to operate our power facilities in a productive and efficient manner and to offer competitively priced energy products. Our organization has the flexibility to adapt to changing economic conditions and is ready to meet the challenges that lie ahead. Balancing the needs of those we serve is key in allowing us to anticipate and prepare for changes in our industry, maintain quality services, and exceed customer and shareholder expectations, both today and tomorrow.

DP&L's WEATHER RADAR MONITORING STATION PROVIDES BOTH VISUAL AND STATISTICAL DATA ON DEVELOPING WEATHER FRONTS AND ALLOWS US TO ANTICIPATE AND PREPARE FOR WEATHER RELATED EMERGENCIES.



AS PART OF OUR COMMITMENT TO MAINTAINING QUALITY CUSTOMER SERVICE, DP&L BUSINESS REPRESENTATIVES WORK TOGETHER WITH COMMERCIAL AND RESIDENTIAL BUILDERS IN SETTING UP ELECTRIC AND NATURAL GAS SERVICE AND PLANNING FOR FUTURE REQUIREMENTS.

Corporate Information

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

Securities Transfer & Shareholder Correspondence:
The First National Bank of Boston
Mail Stop: 45-02-09
Box 644
Boston, MA 02102-0644

Dividend Reinvestment:
The First National Bank of Boston
Mail Stop: 45-01-06
Box 1681
Boston, MA 02105-1681
Also dividend paying agent

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 and DP&L First Mortgage Bonds and Preferred Stock are listed. The trading symbol of the Common Stock is DPL.

Federal Income Tax Status of 1991 Dividend Payments
Dividends paid in 1991 on Common and Preferred Stock are fully taxable as dividend income.

Annual Meeting
The Annual Meeting of Shareholders will be held at 10:00 a.m., April 7, 1992, at St. Clair Memorial Hall, Greenville, Ohio.

Communications
DPL Inc. staffs an Investor Relations Department to meet the information needs of shareholders and investors. Inquiries are welcomed by telephone, letter, or postcard. Communications relating to shareholder accounts should be directed to the DPL Investor Relations Department (Telephone (513) 259-7150 or toll-free (800) 322-9244) or to The First National Bank of Boston (Telephone (617) 929-5445 or toll-free (800) 442-2001).

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 the Investor Relations Department.

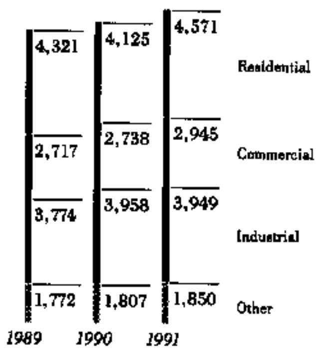
Officers—DPL Inc. and DP&L
(Age/Years of Service)

Peter H. Forster (49/18)
Chairman of the Board and Chief Executive Officer—DPL Inc. and DP&L
Allen M. Hill (46/24)
President and Chief Operating Officer—DP&L
Robert E. Buerger (47/26)
Group Vice President—DP&L
Stephen F. Koziar, Jr. (47/24)
Group Vice President—DPL Inc. and DP&L
Thomas M. Jenkins (40/14)
Group Vice President and Treasurer—DPL Inc., Group Vice President—DP&L
Judy W. Lansaw (40/13)
Vice President and Secretary—DPL Inc. and DP&L
H. Ted Santo (41/20)
Vice President—DP&L
Paul R. Anderson (49/13)
Controller—DP&L
Jeanne S. Holihan (35/11)
Treasurer—DP&L
Lloyd E. Lewis, Jr. (65/11)
Assistant Vice President—DP&L

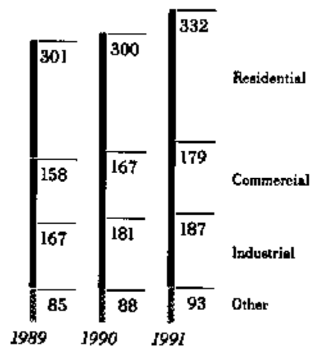
DIRECTORS Top row (left to right): **James F. Dicke, II**[4,5] President, Crown Equipment Corporation, New Bremen, Ohio. **Peter H. Forster**[illegible] Chairman, President and Chief Executive Officer, DPL Inc., Chairman and Chief Executive Officer, The Dayton Power and Light Company, Dayton, Ohio. **Allen M. Hill**[4,5] President and Chief Operating Officer, The Dayton Power and Light Company, Dayton, Ohio. Middle row (left to right): **Robert J. Kegerreis**[1,2,3] President Emeritus, Wright State University, Dayton, Ohio. **Burnell R. Roberts**[2,3] Chairman and Chief Executive Officer, The Mead Corporation, Dayton, Ohio. **Daniel C. Boone**[1,2,3] Director, Banc One Corporation, formerly President and Chief Operating Officer, Armco, Inc., Middletown, Ohio. Bottom row (left to right): **Jane G. Haley**[4,5] President, Gosiger, Inc., Dayton, Ohio. **Ernie Green**[4] President and Chief Executive Officer, Ernie Green Industries, Dayton, Ohio. **Thomas J. Danis**[1,5] Chairman and Chief Executive Officer, The Danis Companies, Dayton, Ohio.

All Directors of DPL Inc. are also Directors of DP&L.
1991 Committee Assignments: DPL Inc.—Audit Review[1]
Compensation and Management Review[2] Executive[3]
DP&L—Community and External Relations[4] Finance[5]

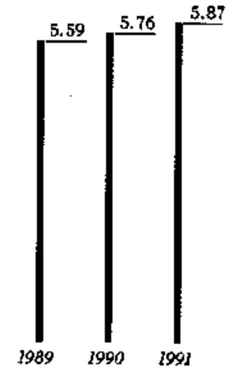
Electric Sales
GWH



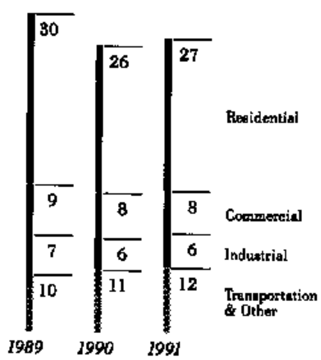
Electric Revenues
$ in millions



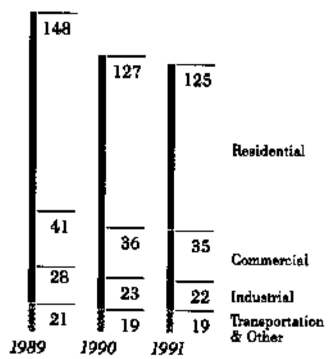
Average Price — Electric Calendar Year
¢/kWh



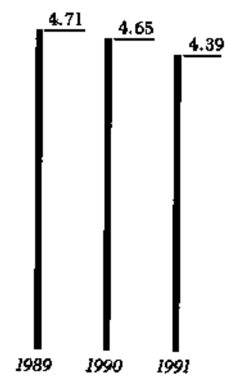
Gas Sales
Millions of MCF



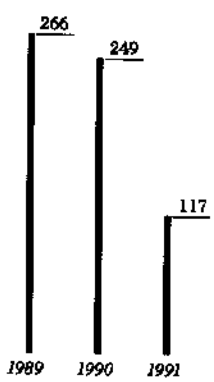
Gas Revenues
$ in millions



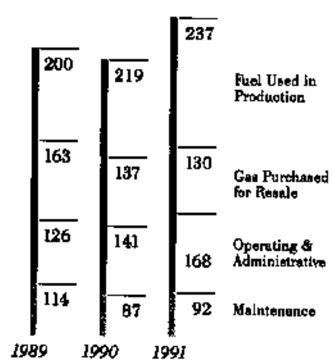
Average Price — Gas Calendar Year
$/MCF



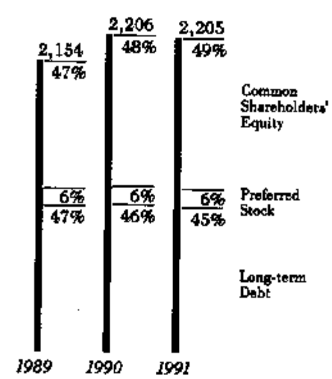
Construction Costs
$ in millions



Operating Expenses
$ in millions



Capital Structure
$ in millions



The 1991 earnings are $1.73 per share, compared to earnings per share of $2.23 in 1990 and $2.18 in 1989. The overall return on shareholders' equity was 11.0% in 1991 compared to 14.7% in 1990 and 15.2% in 1989.

Total electric revenues increased 7% and sales 5% in 1991. This is primarily attributed to unusually hot spring and summer weather. In 1990, electric revenues increased 3% with strong sales to business customers offsetting warm winter weather.

Gas revenues decreased 2% in 1991. Lower gas cost rates more than counteracted increased sales of 4%. Gas revenues decreased 14% and sales decreased 10% in 1990 due to mild winter temperatures.

The Wm. H. Zimmer Generating Station ("Zimmer") was completed and placed into service on March 30, 1991. In prior periods, Zimmer had accounted for essentially all the allowance for funds used during construction ("AFC"). Once commercial operation began, the AFC relating to Zimmer stopped. The Public Utilities Commission of Ohio ("PUCO") granted DP&L the authority to defer interest charges on the Zimmer investment from its commercial operation date until new prices reflecting Zimmer take effect. This deferred interest, which was less than prior year's AFC, and Zimmer operating costs and depreciation resulted in lower 1991 earnings.

Operating and administrative expenses increased 19% in 1991 primarily as a result of the operating expenses associated with Zimmer. In 1990, operating and administrative expenses increased 13% due to higher general expenses and uncollectible accounts expense. Maintenance expense decreased in 1990 and increased in 1991 as the level of planned maintenance programs changed. Operating, administrative and maintenance expenses are expected to stabilize in 1992 due to reduced inflation.

Interest charged to operations increased 30% in 1991 as a result of Zimmer's commercial operation and the associated decrease in AFC related to borrowed funds charged to construction. Income taxes decreased in 1991 from prior years due to lower pre-tax income and a reduction in the deferred tax provision for property-related timing differences included in 1990 and 1989 expense.

CONSTRUCTION PROGRAM AND FINANCING

Construction additions were $117 million, $249 million and $266 million in 1991, 1990, and 1989, respectively. Construction additions in 1990 and 1989 largely reflect the construction activity for Zimmer Station.

For the period 1992 through 1996, total construction additions are projected to be $537 million. During this same period, a total of $196 million will be required for maturities and mandatory redemptions for preferred stock and bonds.

During 1991, total cash provided by operating activities was $174 million. At year end, cash and temporary investments were $114 million and short-term borrowings were $85 million.

In 1989, DPL Inc. entered into a revolving credit agreement, renewable through 1996, which allows total borrowings of $200 million. These funds are available to both DPL Inc. and its subsidiaries. At year end, DPL Inc. had $40 million outstanding under the credit agreement. DP&L also has

INCOME STATEMENT HIGHLIGHTS

$ in millions except per share amounts	*1991*	*1990*	*1989*
ELECTRIC UTILITY:			
Revenues	$788	$734	$711
Fuel used in production	235	217	197
Net revenues	553	517	514
GAS UTILITY:			
Revenues	201	205	238
Gas purchased for resale	130	137	163
Net revenues	71	68	75
Allowance for equity funds used during construction	19	71	55
Operating and administrative	168	141	126
Maintenance of equipment and facilities	92	87	114
Interest charged to operations, net	87	67	70
Deferred interest—Zimmer Station, net	(43)	—	—
Income taxes	41	66	63
Net income	119	153	136
Earnings per share of common stock	1.73	2.23	2.18
Return on shareholders' equity	11.0%	14.7%	15.2%

$97 million available in short-term lines of credit. At year end, DP&L had $21 million outstanding under its lines of credit and $24 million in commercial paper outstanding. Issuance of additional amounts of first mortgage bonds by DP&L is limited by provisions of its mortgage. At December 31, 1991, approximately $513 million of additional bonds could have been issued. The amounts and timing of future financings will depend upon market and other conditions, rate increases, levels of sales and construction plans.

The shareholders of the Company approved a proposal to implement a three-for-two common stock split effected in the form of a stock dividend at the April 1990 Annual Meeting. The proposal increased the number of authorized common shares of the Company from 60 million to 120 million, changed the par value from $7.00 per share to $.01 per share and authorized the transfer of all amounts over the new par value from the Company's Stated Capital to Other Paid-in Capital. The split was paid May 4, 1990.

Issues and Financial Risks

As a public utility, DP&L is subject to processes which determine the rates it charges for energy services. Regulators determine which costs are eligible for recovery in the rate setting process and when the recovery will occur. They also establish the rate of return on utility investments which are valued under Ohio law based on historical costs.

In April 1991, DP&L filed an electric rate increase request with the PUCO to recover the costs associated with the construction of Zimmer, earn a return on DP&L's investment and recover the current costs of providing electric service to its customers. DP&L has a 28.1% undivided ownership interest in Zimmer, with $980 million invested at December 31, 1991. The electric rate increase request, the first since 1982, was approximately 25% on a one-time basis. In November 1991, DP&L and various consumer groups filed with the PUCO an agreement which settled the issues in the case. The agreement was approved by the PUCO in January 1992, with new rates effective February 1, 1992. The agreement provides for a revenue increase of approximately 19% ($129 million) to be phased in with annual increases of 6.4%, effective in February 1992, January 1993 and January 1994. Amounts deferred, including carrying charges, during the phase-in period are estimated at $49 million in 1992 and $25 million in 1993, net of income taxes, and will be capitalized. The deferrals will be recovered over seven years commencing in 1994. The phase-in plan meets the requirements of Financial Accounting Standards Board Statement No. 92. In addition, DP&L agreed to undertake cost-effective demand-side management programs with an average annual cost of $15 million for the next four years. Of the $15 million per year, approximately $5 million, increasing to approximately $8.5 million in 1993, would be reflected additionally in rates as of the effective date of rates in this rate case. The remaining expenditures will be eligible for recovery in future rates, in accordance with existing PUCO rulings. The agreement established a baseline return on equity of 13% (subject to upward adjustment) on DP&L until its next rate case. In the event that DP&L's return exceeds the allowed return by between one to two percent, then one half of the excess return will be used to reduce the cost of demand-side management programs, and any return that exceeds the allowed return by more than two percent will be entirely credited to these programs. Another provision of the agreement has the effect of reducing the amount of net utility investment includible in future rate filings by an amount which declines from approximately $150 million in 1992 to no reduction after 1995.

In March 1991, the PUCO granted DP&L the authority to defer interest charges, net of income tax, on the Zimmer investment from the commercial in-service date through January 31, 1992. DP&L had also requested authorization to defer other Zimmer operating costs and depreciation which were incurred from the in-service date until new electric rates took effect. This request was denied. Deferred interest charges in 1991 were $43 million.

In addition to the electric price increase request, DP&L filed requests to increase natural gas prices by 8% and steam prices by 20%. In January 1992, DP&L, the Ohio Office of Consumer Counsel and the PUCO Staff filed with the PUCO an agreement which settled the issues in the natural gas case. The agreement provides for a revenue increase of 6.2% ($13.7 million) effective March 1, 1992. PUCO approval is pending. DP&L also reached an agreement with the PUCO Staff in the steam case for $1.4 million, the full amount requested, effective February 1, 1992. The agreement was approved by the PUCO in January 1992.

DP&L and numerous other parties have been notified by the Federal Environmental Protection Agency ("EPA") that it considers them Potentially Responsible Parties for clean-up at two hazardous waste sites in Ohio. The EPA has estimated clean up costs of $27.1 million at one site and has not developed an estimate concerning the remaining site. The final resolution of these investigations will not have a material effect on DP&L's financial position.

Changing environmental regulations continue to increase the cost of providing service in the utility industry. The Clean Air Act Amendments of 1990 (the "Act") limit sulfur dioxide and nitrogen oxide emissions nationwide. The Act will restrict emissions in two phases with Phase I compliance completed by 1995 and Phase II completed by 2000. Final regulations are expected to be issued by the EPA in 1992.

DP&L's preliminary compliance plan is expected to be filed with the PUCO with the 1992 Integrated Resource Plan. DP&L anticipates meeting the requirements of Phase I by using lower sulfur coal at certain electric generating facilities. In addition, compliance with the stricter emission limits of Phase II may require the installation of pollution control equipment at several commonly-owned generating facilities. Total costs to comply with the Act are dependent on final EPA rules and the completion of a compliance plan for commonly-owned generating facilities, to be developed in conjunction with The Cincinnati Gas & Electric Company and Columbus Southern Power Company, and cannot be estimated at this time. DP&L anticipates that costs to comply with the Act will be eligible for recovery in future fuel hearings and other regulatory proceedings.

DPL Inc.

Consolidated Statement Of Results Of Operations

$ in millions except per share amounts	For the years ended December 31, 1991	1990	1989
Income			
Utility service revenues	$ 995.6	$ 945.5	$ 956.3
Allowance for equity funds used during construction (Note 1)	18.5	70.5	55.3
Interest and other income	19.0	21.3	18.6
Total income	1,033.1	1,037.3	1,030.2
Expenses			
Fuel used in electric and steam production	237.4	219.3	199.6
Gas purchased for resale	130.4	137.1	162.7
Operating and administrative	167.8	141.4	125.6
Maintenance of equipment and facilities	92.0	86.7	113.9
Depreciation and amortization	96.4	65.9	61.6
General taxes	95.4	90.9	87.9
Interest charged to operations, net (Note 1)	86.8	67.0	69.5
Deferred interest—Zimmer Station, net (Note 2)	(43.0)	—	—
Preferred dividend requirements of The Dayton Power and Light Company	9.7	10.1	10.5
Total expenses	872.9	818.4	831.3
Income Before Income Taxes	160.2	218.9	198.9
Income taxes (Notes 1 and 5)	41.0	65.9	62.5
Net Income	$ 119.2	$ 153.0	$ 136.4
Average Number of Common Shares Outstanding (millions) (a)	69.0	68.6	62.6
Earnings Per Share of Common Stock (a)	$ 1.73	$ 2.23	$ 2.18
Dividends Paid Per Share of Common Stock (a)	$ 1.62	$ 1.56	$ 1.49
Return on Shareholders' Equity	11.0%	14.7%	15.2%

(a) Shares and per share amounts have been restated in 1989 to reflect the three-for-two common stock split paid May 4, 1990. See Note 7.
See Notes to Consolidated Financial Statements.

DPL Inc.

Consolidated Statement Of Cash Flows

$ in millions	For the years ended December 31, 1991	1990	1989
Operating Activities			
Net income	$119.2	$153.0	$136.4
Adjustments for noncash items:			
Depreciation and amortization	96.4	65.9	61.6
Deferred income taxes	(5.8)	14.2	25.3
Allowance for equity funds used during construction	(18.5)	(70.5)	(55.3)
Deferred interest—Zimmer Station, net	(43.0)	—	—
Changes in working capital:			
Accounts receivable	4.9	31.5	(17.1)
Accounts payable	(19.3)	(2.6)	11.8
Other	17.0	(22.4)	(4.0)
Other operating activities	22.8	(6.4)	6.1
Net cash provided by operating activities	173.7	162.7	164.8
Investing Activities			
Net cash used for construction additions (less allowance for equity funds used during construction)	(94.9)	(147.9)	(186.0)
Financing Activities			
Dividends paid on common stock	(111.8)	(106.9)	(93.2)
Issuance of short-term debt	40.4	44.1	—
Issuance of common stock	—	14.9	117.1
Retirement of long-term debt	(4.6)	(4.5)	(4.5)
Retirement of preferred stock	(4.2)	(4.3)	(4.2)
Cash provided by (used for) financing activities	(80.2)	(56.7)	15.2
Net increase (decrease) in cash and temporary cash investments	(1.4)	(41.9)	(6.0)
Cash and temporary cash investments at beginning of period	115.8	157.7	163.7
Cash and temporary cash investments at end of period	$114.4	$115.8	$157.7
Cash Paid During the Year For:			
Interest (net of amount capitalized and deferred)	$ 42.8	$ 63.5	$ 66.6
Income taxes	48.5	44.5	37.6

See Notes to Consolidated Financial Statements.

DPL Inc.

Consolidated Balance Sheet

$ in millions	*At December 31, 1991*	*1990*
Assets		
Utility property and plant	$3,088.6	$2,031.7
Other property and plant	38.0	37.0
Construction work in progress	36.3	991.6
	3,162.9	3,060.3
Less—		
Accumulated depreciation and amortization	(792.4)	(714.8)
Deferred income taxes related to property	(189.4)	(182.6)
Unamortized investment tax credit	(91.2)	(90.7)
	2,089.9	2,072.2
Current Assets		
Cash and temporary cash investments (at cost)	114.4	115.8
Accounts receivable, less provision for uncollectible accounts of $11.5 and $10.3, respectively (Note 1)	125.9	130.8
Inventories, at average cost	87.9	90.0
Prepayments and other	121.5	111.9
Total current assets	449.7	448.5
Other Assets		
Deferred interest—Zimmer Station, net	43.0	—
Funds on deposit with trustee	21.7	40.8
Other assets	87.7	80.0
Total other assets	152.4	120.8
Total Assets	$2,692.0	$2,641.5
Capitalization and Liabilities		
Capitalization		
Common shareholders' equity (Note 7)—		
Common stock—69,010,903 shares outstanding	$ 0.7	$ 0.7
Other paid-in capital	708.1	707.9
Earnings reinvested in the business	366.2	359.0
Total common shareholders' equity	1,075.0	1,067.6
Preferred stock of The Dayton Power and Light Company (Note 8)—		
Without mandatory redemption provisions	82.9	82.9
With mandatory redemption provisions	42.8	47.0
Long-term debt (Note 9)	1,004.3	1,008.5
Total capitalization	2,205.0	2,206.0
Current Liabilities		
Accounts payable	91.2	110.5
Short-term debt	84.5	44.1
Current portion of first mortgage bonds and preferred stock	8.6	8.6
Accrued taxes	108.5	98.8
Accrued interest	16.7	16.7
Other	75.8	70.9
Total current liabilities	385.3	349.6
Deferred Credits and Other	101.7	85.9
Commitments and Contingencies (Note 4)		
Total Capitalization and Liabilities	$2,692.0	$2,641.5

See Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The accounts of DPL Inc. and its wholly-owned subsidiaries are included in the accompanying consolidated financial statements. The consolidated financial statements of DPL Inc. principally reflect the results of operations and financial condition of DPL Inc.'s public utility subsidiary, The Dayton Power and Light Company ("DP&L"). DP&L is a public utility engaged in the business of selling electric energy, natural gas and steam. The results of operations of DPL Inc.'s non-utility subsidiaries currently do not have a material financial impact on the consolidated results.

Revenues and Fuel

Revenues include amounts receivable from customers through fuel and gas recovery clauses, which are adjusted periodically for changes in such costs. Related costs that are recoverable or refundable in future periods are deferred along with the related income tax effects. Also included in revenues are amounts receivable from customers through a surcharge for recovery of arrearages from certain eligible low-income households.

DP&L records revenue for services provided but not yet billed to more closely match revenues with expenses. "Accounts Receivable" on the Consolidated Balance Sheet includes unbilled revenue of (in millions) $35.5 in 1991 and $31.4 in 1990.

Allowance for Funds Used During Construction ("AFC")

AFC represents the cost of capital funds (equity and debt) used to finance construction projects. This cost is included in construction work in progress along with other construction costs. AFC was capitalized on the Zimmer project through the March 30, 1991 commercial in-service date. The average AFC rates used by DP&L in 1991, 1990 and 1989 were 10.3%, 10.8% and 10.5%, respectively, net of income taxes. These rates are compounded semi-annually.

Interest charged to operations (shown on the Consolidated Statement of Results of Operations) consists of interest costs of (in millions) $93.9 in 1991, $91.6 in 1990 and $91.9 in 1989 less AFC related to borrowed funds of (in millions) $7.1, $24.6 and $22.4 charged to construction in the respective years.

Property and Plant, Maintenance and Depreciation

Property and plant is shown at its original cost. When a unit of property is retired, the original cost of that property plus the cost of removal less any salvage value is charged to accumulated depreciation. Maintenance costs and replacements of minor items of property are charged to expense.

Depreciation expense is calculated using the straight-line method, which depreciates the cost of property over its estimated useful life, at annual rates which approximate 3.4% for 1991 and 3.2% for 1990 and 1989.

Income Taxes

Deferred income taxes are provided for transactions which affect book net income and taxable income in different accounting periods except where regulatory policy restricts the deferral method. Investment tax credit, which reduces taxes currently payable, is deferred and amortized over the lives of the related property.

Provisions for deferred income taxes associated with property and plant reflect consumption of part of the value of the plant and equipment to which they relate. Consequently, the related accumulated deferred income taxes are similar to the accumulated provision for depreciation and are deducted as a valuation reserve from plant investment in determining the rate base for ratemaking purposes.

The Financial Accounting Standards Board ("FASB") has issued a Statement and Exposure Draft prescribing changes in the accounting for income taxes beginning in 1993. Although adopting these changes may result in a significant increase in assets and liabilities, the Company does not expect a material effect on earnings.

Consolidated Statement of Cash Flows

The temporary cash investments presented on this Statement consist of liquid investments with a maturity of three months or less.

Reclassifications

Reclassifications have been made in certain prior years' amounts to conform to the current reporting presentation.

2. Rate Matters

A. Electric

In April 1991, DP&L filed an electric rate increase request with the Public Utilities Commission of Ohio ("PUCO"), to recover the costs associated with the construction of the Wm. H. Zimmer Generating Station ("Zimmer"), earn a return on DP&L's investment and recover the current costs of providing electric service to its customers. DP&L has a 28.1% undivided ownership interest in Zimmer, which was placed in commercial operation on March 30, 1991. The electric rate increase request, the first since 1982, was approximately 25% on a one-time basis. In November 1991, DP&L and various consumer groups filed with the PUCO an agreement which settled the issues in the case. The agreement was approved by the PUCO in January 1992, with new rates effective February 1, 1992. The agreement provides for a revenue increase of approximately 19% ($129 million) to be phased in with annual increases of 6.4% effective in February 1992, January 1993 and January 1994. Amounts deferred, including carrying charges, during the phase-in period will be capitalized. The deferrals will be recovered over seven years commencing in 1994. The phase-in plan meets the requirements of FASB Statement No. 92. The agreement established a baseline return on equity of 13% (subject to upward adjustment) until the next rate case. In addition, DP&L agreed to undertake cost-effective demand-side management programs with an average annual cost of $15 million for the next four years. Of the $15 million per year, approximately $5 million, increasing to approximately $8.5 million in 1993, would be reflected additionally in rates as of the effective date of rates in this rate case. The remaining expenditures will be eligible for recovery in future rates in accordance with existing PUCO rulings.

In March 1991, the PUCO granted DP&L the authority to defer interest charges, net of income tax, on the Zimmer investment from the commercial in-service date through January 31, 1992. DP&L had also requested authorization to defer other Zimmer operating costs and depreciation which were incurred from the in-service date until new electric rates took effect. This request was denied.

B. Natural Gas and Steam

In April 1991, DP&L also filed requests to increase natural gas prices by 8% and steam prices by 20%. In January 1992, DP&L, the Ohio Office of Consumer Counsel and the PUCO Staff filed with the PUCO an agreement which settled the issues in the natural gas case. The agreement provides for a revenue increase of 6.2% ($13.7 million) effective March 1, 1992. PUCO approval is pending.

DP&L also reached agreement with the PUCO Staff in the steam case for $1.4 million, the full amount requested, effective February 1, 1992. The agreement was approved by the PUCO in January 1992.

3. Notes Payable and Compensating Balances

DPL Inc. and its subsidiaries have $200 million available through a revolving credit agreement. This agreement with a consortium of banks is renewable through 1996. Commitment fees are approximately $300,000 per year, depending upon the aggregate unused balance of the loan.

At December 31, 1991, DPL Inc. had $40.0 million outstanding under this credit agreement at a weighted average interest rate of 5.50%.

DP&L also has $97.1 million available in short-term informal lines of credit. To support these lines of credit, DP&L is required to maintain average daily compensating balances of approximately $700,000 and also pay $189,000 per year in fee compensation.

At year-end, DP&L had $21.0 million outstanding from these lines of credit at a weighted average interest rate of 5.21% and $23.5 million in commercial paper outstanding at a weighted average interest rate of 5.29%.

4. Clean Air Act Amendments

Changing environmental regulations continue to increase the cost of providing service in the utility industry. The Clean Air Act Amendments of 1990 (the "Act") limit sulfur dioxide and nitrogen oxide emissions nationwide. The Act will restrict emissions in two phases with Phase I compliance completed by 1995 and Phase II completed by 2000. Final regulations are expected to be issued by the Environmental Protection Agency ("EPA") in 1992.

DP&L's preliminary compliance plan is expected to be filed with the PUCO with the 1992 Integrated Resource Plan. DP&L anticipates meeting the requirements of Phase I by using lower sulfur coal at certain electric generating facilities.

In addition, compliance with the stricter emission limits of Phase II may require the installation of pollution control equipment at several commonly-owned generating facilities. Total costs to comply with the Act are dependent on final EPA rules and the completion of a compliance plan for commonly-owned generating facilities, to be developed in conjunction with The Cincinnati Gas & Electric Company and Columbus Southern Power Company, and cannot be estimated at this time. DP&L anticipates that costs to comply with the Act will be eligible for recovery in future fuel hearings and other regulatory proceedings.

5. Income Taxes

$ in millions	*For the years ended December 31,* 1991	1990	1989
Computation of Tax Expense			
Statutory income tax rate	34%	34%	34%
Federal income tax (statutory rates applied to pre-tax income before preferred dividends and tax expense included in Deferred interest—Zimmer Station, net)	$65.3	$77.9	$71.2
Increases (decreases) in tax from —			
Allowance for funds used during construction which does not constitute taxable income	(8.5)	(32.3)	(26.4)
Book over tax depreciation not previously deferred	8.3	23.2	22.6
Investment tax credit amortized	(3.3)	(2.7)	(2.7)
Other, net	1.4	(0.2)	(2.2)
Total Tax Expense	$63.2	$65.9	$62.5
Effective Income Tax Rate	33%	29%	30%
Components of Tax Expense			
Taxes currently payable	$46.8	$51.7	$37.2
Deferred taxes —			
Deferred interest—Zimmer Station	22.2	—	—
Liberalized depreciation and amortization	13.2	27.8	27.8
Unbilled revenue	(0.1)	(4.5)	(4.5)
Property taxes	(4.9)	(4.7)	1.6
Fuel and gas costs	(7.9)	3.0	2.5
Other	(4.5)	(7.8)	(5.6)
Deferred investment tax credit, net	(1.6)	0.4	3.5
Total Tax Expense	$63.2	$65.9	$62.5
Classification of Tax Expense			
Income taxes	$41.0	$65.9	$62.5
Deferred interest—Zimmer Station	22.2	—	—
Total Tax Expense	$63.2	$65.9	$62.5

6. Pensions and Postretirement Benefits

A. Pensions

Substantially all DP&L employees participate in pension plans paid for by the Company. Employee benefits are based on their years of service, age at retirement and for salaried employees, their compensation. The plans are funded in amounts actuarially determined to provide for these benefits.

Interest rates of 6.75% and 7.5% were used in 1991 and 1990, respectively, in developing the amounts in the following tables. Actual returns on plan assets for 1991 and 1990, respectively, were 13.1% and 6.8%. Increases in compensation levels approximating 5% were used for all years.

The following table presents the components of pension cost (portions of which were capitalized):

$ in millions	*1991*	*1990*	*1989*
Service cost—benefits earned during the year	$ 3.5	$ 3.6	$ 3.0
Interest cost on projected benefit obligations	11.8	11.4	10.7
Amortization of transition amount	(4.2)	(4.2)	(4.1)
Amortization of prior service cost	1.2	1.2	0.8
Amortization of net (gain) or loss	0.1	0.2	—
Expected return on plan assets at 7.5% for 1991, 8% for 1990 and 7% for 1989	(14.1)	(14.4)	(12.1)
Net pension cost for the year	$ (1.7)	$ (2.2)	$ (1.7)

The following table sets forth the plans' funded status at December 31:

$ in millions	*1991*	*1990*
Plan assets at fair value invested in guaranteed investment contracts, equities and fixed income investments	$223.9	$206.2
Less—		
Actuarial present value of projected benefit obligation	186.8	162.0
Plan assets in excess of projected benefit obligation	$ 37.1	$ 44.2
Vested benefit obligation	$153.3	$132.2
Accumulated benefit obligation (exclusive of projected salary increases)	$171.0	$147.9

The following table shows the amounts recorded in the Consolidated Balance Sheet at December 31:

$ in millions	*1991*	*1990*
Plan assets in excess of projected benefit obligation	$ 37.1	$ 44.2
Transitional adjustments not reflected on the Consolidated Balance Sheet:		
Unamortized transition amount arising from change in accounting principle	(36.3)	(40.5)
Prior service cost from plan amendments	13.2	14.3
Changes in plan assumptions and actuarial gains and losses	10.7	4.3
Net pension assets, December 31	$ 24.7	$ 22.3

B. Postretirement Benefits

Qualified employees who retired prior to 1987 and their dependents are eligible for health care and life insurance benefits. DP&L is accruing this unfunded actuarially calculated liability over the average remaining life of the participants. At December 31, 1991, $26.5 million of the total $56 million liability had been accrued. Health and life insurance benefits expensed were (in millions) $9.5 in 1991, $10.1 in 1990 and $8.8 in 1989. DP&L is required to implement FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," no later than 1993 and may do so through a cumulative adjustment or ratably over future periods. The implementation of this standard is not expected to have a significant impact on annual expense levels.

7. Common Shareholders' Equity

$ in millions		Common Stock Shares	Common Stock Amount	Other Paid-in Capital (premium, net of expense)	Earnings Reinvested in the Business	Total
1989:	Beginning balance	41,390,482	$289.7	$286.5	$270.1	$ 846.3
	Net income				136.4	136.4
	Common stock dividends				(93.2)	(93.2)
	Public offering	3,575,000	25.0	78.7		103.7
	Dividend reinvestment plan	486,064	3.4	9.4		12.8
	Employee stock plan	22,351	0.2	0.4		0.6
	Other			0.2	(0.2)	—
	Ending balance	45,473,897	$318.3	$375.2	$313.1	$1,006.6
1990:	Net income				153.0	153.0
	Common stock dividends				(106.9)	(106.9)
	Three-for-two stock split	22,732,856	—			—
	Reduction in par value		(318.5)	318.5		—
	Dividend reinvestment plan	771,263	0.9	13.4		14.3
	Employee stock plan	32,887	—	0.6		0.6
	Other			0.2	(0.2)	—
	Ending balance	69,010,903	$ 0.7	$707.9	$359.0	$1,067.6
1991:	Net income				119.2	119.2
	Common stock dividends				(111.8)	(111.8)
	Other			0.2	(0.2)	—
	Ending balance	69,010,903	$ 0.7	$708.1	$366.2	$1,075.0

DPL Inc. had 1,885,032 and 154,671 authorized but unissued shares reserved for the dividend reinvestment and employee stock plans, respectively, at December 31, 1991. These plans provide that either original issue shares or shares purchased on the open market may be used to satisfy plan requirements. In 1991, stock market purchases were used to satisfy the requirements of the Company's stock plans.

In 1991, DPL Inc. adopted a Shareholder Rights Plan pursuant to which one right is presently attached to and trades with each outstanding DPL Inc. Common Share. The Rights will separate from the Common Shares and become exercisable when a person or group acquires or makes a tender offer to acquire 15% or more of DPL Inc.'s Common Shares. When a Right becomes exercisable, it entitles the holder to purchase 1/100th of a share of DPL Inc. Series A Preferred Stock at an exercise price of $66.

Additionally, in certain change of control situations, a Right entitles the holder, except for the acquiring person or group, to purchase Common Shares of DPL Inc. or the acquiror at a 50% discount. DPL Inc. may redeem the Rights for $.01 each in accordance with the plan.

On May 4, 1990 a three-for-two common stock split, effected in the form of a stock dividend, was paid. Additionally, authorized shares were increased from 60 million to 120 million and par value was reduced from $7.00 to $.01 per share with all amounts in the stated capital account over the new par value transferred to the other paid-in capital account.

8. Preferred Stock

DPL Inc.: No par value, 8,000,000 shares authorized, no shares outstanding.

DP&L: $25 par value, 4,000,000 shares authorized, no shares outstanding; and $100 par value, 4,000,000 shares authorized, 1,298,498 shares outstanding.

Series/Rate	Current Redemption Price	Current Shares Outstanding	Without Mandatory Redemption Provisions At December 31, 1991	1990	With Mandatory Redemption Provisions (a) At December 31, 1991	1990
			(millions)			
A 3.75%	$102.50	93,280	$ 9.3	$ 9.3		
B 3.75%	$103.00	69,398	7.0	7.0		
C 3.90%	$101.00	65,830	6.6	6.6		
D 7.48%	$103.23	150,000	15.0	15.0		
E 7.70%	$101.00	199,990	20.0	20.0		
F 7.375%	$101.00	250,000	25.0	25.0		
H 8⅝%	$104.00	180,000(a)			$18.0	$20.0
I 9⅜%	$104.00	247,500(a)			24.8	27.0
Total			$82.9	$82.9	$42.8	$47.0

(a) Exclusive of sinking fund payment due within one year.

The shares without mandatory redemption provisions may be redeemed at the option of DP&L at the per share prices indicated, plus accrued dividends.

The shares with mandatory redemption provisions are redeemable pursuant to mandatory sinking fund requirements, but may also be redeemed at the option of DP&L at the per share prices indicated, plus accrued dividends. The annual sinking fund requirements for Series H and I are 5% of the original amount of each issue. Over the next five years, mandatory redemptions are $4.3 million (42,500 shares) per year. Shares redeemed or purchased to meet sinking fund requirements may not be reissued.

Sinking fund requirements and redemptions of outstanding shares were 42,500 shares in 1991, 1990 and 1989.

9. Long-term Debt

$ in millions		At December 31, 1991	1990
First mortgage bonds maturing:			
1993	4.45%	$ 50.0	$ 50.0
1997	5⅝%	40.0	40.0
1998	7.28% (a)	33.0	34.4
1999-2007	8.79% (a)	334.2	337.1
2009-2016	8.93% (a)	225.0	225.0
Pollution control series maturing through 2015 — 9.85% (a)		177.6	177.6
		859.8	864.1
Unamortized debt discount and premium (net)		(5.4)	(5.6)
		854.4	858.5
Guarantee of pollution control obligations —			
7½% and 7¾% Series A due 1999 through 2009		35.3	35.3
10½% Series due 2000		6.7	6.7
Debentures —			
8¾% Series due 1996		100.0	100.0
Mortgage note due in installments through 2012—10.0%		7.9	8.0
Total		$1,004.3	$1,008.5

(a) Weighted average interest rate.

The amounts of maturities and mandatory redemptions for first mortgage bonds, pollution control obligations and debentures are (in millions) $4.3 in 1992, $54.7 in 1993, $4.7 in 1994, $5.5 in 1995 and $105.5 in 1996. The mortgage also provides for annual payments to a maintenance and replacement fund and an improvement and sinking fund. These funds may be satisfied by (a) cash, (b) delivery of bonds issued under the mortgage or (c) pledging the cost of unfunded property additions. Substantially all property and plant of DP&L is subject to the mortgage lien securing first mortgage bonds.

10. Financial Information by Business Segments

$ in millions			For the years ended December 31, 1991	1990	1989
Electric:	Utility service revenues	$	788.2	733.8	711.2
	Income before income taxes	$	193.5	213.2	193.7
	Depreciation and amortization	$	87.9	56.0	54.2
	Construction additions	$	103.4	224.5	254.6
	Assets at December 31	$	2,255.6	2,214.6	2,068.4
Gas:	Utility service revenues	$	201.0	204.9	237.9
	Income before income taxes	$	0.7	8.1	17.6
	Depreciation and amortization	$	6.0	5.3	4.9
	Construction additions	$	12.4	22.3	9.7
	Assets at December 31	$	203.0	201.4	193.4
Other:	Revenues and interest income	$	25.4	28.1	25.8
	Income (loss) before income taxes (a)	$	(34.0)	(2.4)	(12.4)
	Depreciation and amortization	$	2.5	4.6	2.5
	Construction additions	$	1.6	2.4	2.1
	Assets at December 31 (b)	$	233.4	225.5	276.2
Total:	Revenues and interest income	$	1,014.6	966.8	974.9
	Income before income taxes	$	160.2	218.9	198.9
	Depreciation and amortization	$	96.4	65.9	61.6
	Construction additions	$	117.4	249.2	266.4
	Assets at December 31	$	2,692.0	2,641.5	2,538.0

(a) Includes AFC, deferred interest, interest charged to operations and preferred dividend requirements of The Dayton Power and Light Company.

(b) Includes primarily cash, temporary cash investments, accounts receivable and certain deferred items.

11. Commonly Owned Facilities

	DP&L Share Ownership (%)	DP&L Share Production Capacity (MW)	DP&L Investment Plant in Service ($ in millions)
Production Units:			
Beckjord Unit 6	50	210	49
Conesville Unit 4	16.5	129	28
East Bend Station	31	186	145
Killen Station	67	402	408
Miami Fort Units 7 & 8	36	360	109
Stuart Station	35	820	217
Zimmer Generating Station	28.1	365	980
Transmission (at varying percentages)			67

DP&L owns certain electric generating and transmission facilities as tenants in common with other Ohio utilities. Each utility is obligated to pay its ownership share of construction and operation costs of each facility. As of December 31, 1991, DP&L had $5 million of commonly owned facilities under construction. DP&L's share of expenses is included in the Consolidated Statement of Results of Operations.

Report of Independent Accountants

Price Waterhouse

To the Board of Directors and Shareholders of DPL Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of results of operations and of cash flows present fairly, in all material respects, the financial position of DPL Inc. and its subsidiaries at December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Dayton, Ohio
January 24, 1992

Selected Quarterly Information

$ in millions except per share amounts	*For the Three Months Ended* March 31, 1991	March 31, 1990	June 30, 1991	June 30, 1990	September 30, 1991	September 30, 1990	December 31, 1991	December 31, 1990
	$	$ (a)	$	$	$	$	$	$
Utility service revenues	288.2	271.7	224.2	208.3	225.0	208.9	258.2	256.6
Income before income taxes	77.7	75.1	27.0	46.4	34.1	53.3	21.4	44.1
Net income	59.4	50.3	19.6	33.4	24.2	37.8	16.0	31.5
Earnings per share of common stock	0.86	0.74	0.28	0.48	0.35	0.55	0.24	0.46
Dividends paid per share	0.405	0.39	0.405	0.39	0.405	0.39	0.405	0.39
Common stock market price—High	21	20⅜	22	19½	22⅝	19⅝	26⅛	19⅞
—Low	18⅝	19	20	17⅞	20⅛	17¼	22	17⅞

(a) Per share amounts have been restated to reflect the three-for-two common stock split paid May 4, 1990.

Financial and Statistical Summary

			For the years ended December 31,				
			1991	1990	1989[a]	1988[a]	1987[ab]
DPL Inc.:	Return on shareholders' equity	%	11.0	14.7	15.2	14.7	13.0
	Earnings per share of common stock	$	1.73	2.23	2.18	2.01	1.73
	Dividends declared per share	$	1.62	1.56	1.49	1.44	1.37
	Dividend payout ratio	%	93.6	70.0	68.3	71.6	79.2
	Net income (millions)	$	119.2	153.0	136.4	124.7	107.9
	Utility service revenues (millions)	$	995.6	945.5	956.3	983.6	937.7
	Construction additions (millions)	$	117.4	249.2	266.4	178.3	103.7
	Market value per share at December 31	$	25⅞	19¼	20¼	16⅞	15⅝
DP&L:	Electric sales (millions of KWH)—						
	Residential		4,571	4,125	4,321	4,308	4,013
	Commercial		2,945	2,738	2,717	2,643	2,513
	Industrial		3,949	3,958	3,774	3,744	3,535
	Other		1,850	1,807	1,772	2,865	2,604
	Total		13,315	12,628	12,584	13,560	12,665
	Gas sales (thousands of MCF)—						
	Residential		26,594	25,486	29,917	29,649	26,403
	Commercial		8,368	8,259	9,125	9,039	7,727
	Industrial		6,014	5,934	6,670	7,366	5,535
	Other		3,187	3,076	3,347	3,427	3,098
	Transportation gas delivered		8,494	8,093	7,252	5,980	6,293
	Total		52,657	50,848	56,311	55,461	49,056
	At December 31,						
DPL Inc.:	Book value per share	$	15.58	15.47	14.76	13.63	13.08
	Total assets (millions)	$	2,692.0	2,641.5	2,538.0	2,338.3	2,249.8
	Long-term debt and preferred stock with mandatory redemption provisions (millions)	$	1,047.1	1,055.5	1,064.0	1,072.5	1,085.3
DP&L:	First mortgage bond ratings—						
	Duff and Phelps, Inc.		BBB+	BBB+	BBB+	BBB+	BBB+
	Moody's Investors Service		A3	A3	A3	A3	A3
	Standard & Poor's Corporation		BBB+	BBB+	BBB+	BBB+	BBB+
	Number of Shareholders						
DPL Inc.:	Common		53,846	53,030	53,197	55,422	60,501
DP&L:	Preferred		2,034	2,100	2,166	2,272	2,176

(a) Per share amounts have been restated to reflect the three-for-two common stock split paid May 4, 1990.
(b) Net income reflects a reduction of $60 million, or $0.97 per share representing a provision for Zimmer Station.

DPL Inc.
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Dayton, Ohio 45402