

MOMENTUM IN — MOTION

ANNUAL REPORT 2024/25



Operating Context

NAVIGATING A DYNAMIC LANDSCAPE: OUR OPERATING ENVIRONMENT

During the financial year, the company, operated in the midst of global volatility and local transformation. While Sri Lanka's economy stabilized post-crisis, supply chain realignments, movements in interest rates and exchange rates and accelerating demand for green technologies, reshaped our priorities. This section explores how DIMO confronted these challenges to move forward and at times turning them into catalysts for innovations and new opportunities facing and how macroeconomic forces and technological shifts.



1. Macroeconomic forces shaping the business

Table 05:

Key economic indicators	2024	2023
GDP growth	5.4	(2.3)
Inflation as of March	(1.7)	4.0
Year-end exchange rate (Rs/USD)	292.58	323.92
AWPLR (%)	11.93	12.13
Fiscal deficit (% of GDP)	(6.8)	(8.3)
External debt (% of GDP)	58	65
Unemployment rate %	5.2	4.7

Global Economy

The year 2024 presented a complex global economic picture. While inflation eased in advanced economies, persistently high interest rates tightened capital flows to emerging markets such as Sri Lanka.

Geopolitical Dynamics: Geopolitical tensions such as Red Sea shipping crisis and US-China trade decoupling disrupted supply chains, elevating costs for imported machinery and auto parts. Yet amid these headwinds, some transformative trends such as the transition to renewable energy opened doors for us in the local market to deliver cutting-edge solar solutions. According to the International Renewable Energy Agency, renewables accounted for over 90% of total global power expansion in 2024, with 585 GW of capacity added.

Sri Lanka's economic recovery

During the year 2024, Sri Lanka's economy reflected a measured recovery, with GDP growth reaching 2.3% (CBSL) after three consecutive years of contraction. Key indicators signalled stabilization:

Monetary Policy: Currently in deflation, inflation is expected to shift into positive territory and gradually move toward the 5% target in the next financial year.

In 2024, the Central Bank of Sri Lanka (CBSL) made several changes to its policy interest rates, highlighting a notable reduction in July and the introduction of a single policy interest rate in November.

Fiscal Stability Improves Under IMF Program: The International Monetary Fund's Extended Fund Facility (IMF-EFF) program (USD 2.9 billion) and debt restructuring progress helped restore fiscal stability, though public debt remained elevated at 101.8% of GDP.

Exchange rate dynamics: During the financial year 2024/25 Sri Lankan rupee (LKR) stabilized but remained volatile, averaging 295–305 per USD which is a significant improvement compared to the financial year 2023/24.

External Sector Strengthens: Worker remittances reached to \$6.5 billion (CBSL) a 10% increase compared to the year 2023. And tourist arrivals surpassed 1.4 million (Sri Lanka Tourism).

Impact to DIMO & Our response

The positive GDP growth boosted consumer and business confidence, leading to a construction rebound and increased opportunities in renewable energy, including through strategic partnerships.

The Group's interest expenses benefit from the declining market interest rates; the reduced borrowing cost was an enabling factor for investments in new businesses.

The appreciation of the Sri Lankan rupee during the year lowered import costs, partly offsetting the rising indirect taxes, and supported competitive pricing and consumer spending. Additionally, the reduced cost of imported capital goods which is a key component of DIMO's portfolio, strengthened our ability to deliver value to customers while maintaining healthy margins.

Strategic Priorities

- i Diversify Business Domains
- ii Expand Essential Presence
- vi Deepen Key Partnerships
- ix Manage Climate Risk

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Operating Context
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<https://www.dimolanka.com/2024-2025-dimo-annual-report/url.php?id=11>

2. Navigating the Regulatory Landscape: Policy Shaping DIMO's Strategic Horizon

Following the presidential election of September 2024 and Parliamentary Election of November 2024, the newly elected government implemented key decisions in January 2025, which had the major impacts outlined below:

Lifting of Vehicle Import Ban: Sri Lanka's five-year vehicle import ban was removed. Unlocking new potential for Sri Lanka's automotive sector after years of constrained market access.

Changes of Tax Structure: Higher Customs Import Duty (CID) and the luxury tax imposed on imported vehicles suppressed demand for vehicles with a higher CIF value.

Sri Lanka's 2030 Clean Energy Vision: The government set an ambitious target of generating 70% of Sri Lanka's electricity from renewable sources by 2030. Policy enablers, include amendments to the Electricity Act to accelerate renewable energy projects.

Impact to DIMO & Our response

This long-anticipated shift in vehicle imports reopened a critical revenue stream for DIMO - a key player in the automotive industry - and it positioned us to capitalize on pent-up demand.

DIMO's renewable energy sector gained significant momentum in 2024.

These strategic interventions not only enhanced the viability of our solar projects but also reinforced DIMO's position as a contributor to the nation's clean energy transition.

Strategic Priorities

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Diversify Business Domains

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Embrace Sustainable Practices

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Manage Climate Risk

3. Evolving Disruptive Tech Trends

Technology ignites progress, fuelling innovation, accelerating growth, and reshaping industries. It empowers businesses to pivot with market shifts, anticipate customer demands, and unlock transformative opportunities. In today's digital era, it's not just a tool, but the foundation for sustainable success.

Advancements in Technology: Technological advancements and the rise of new capabilities—such as data analytics, automation, AI, Robotics and cloud computing—present significant opportunities for organizations to enhance efficiency and embrace innovative work practices.

Digitalisation increases the risk of cyberthreats: While digitalization unlocks immense opportunities, it also introduces new risks that demand vigilance. Cyber threats like data breaches, ransomware attacks, and system vulnerabilities pose significant challenges to businesses embracing technological transformation.

Impact to DIMO & Our response

DIMO is harnessing the power of technology to drive innovation across diverse industries, delivering smart solutions tailored to modern challenges.

In urban infrastructure, our automated car parking systems optimise space in high-density areas, addressing the critical need for efficient city planning.

Through DIMO Agribusiness, we empower local farmers with SMART micro-irrigation technology, boosting productivity and sustainability in Sri Lanka's agriculture sector.

From workforce management tools to custom app development, DIMO's tech-driven ecosystem is designed to elevate businesses into the digital future.

At DIMO, we recognize and counter these threats through multi-layered cybersecurity protocols, continuous employee training on digital hygiene, disaster recovery planning for critical systems and strategic vendor assessments for all tech partnerships.

Strategic Priorities

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Accelerate Digital Transformation

i

Diversify Business Domains

ii

Embrace Sustainable Practices

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Foster Learning Culture

4. Climate Resilience in Action: Navigating Environmental change

The operating landscape of 2024 was profoundly influenced by environmental factors that served both as challenge and catalysts. As climate change transitioned from theoretical risk to tangible business variable, our diversified operations experienced its multidimensional impacts creating both operational hurdles and unexpected opportunities for sustainable innovation.

Impact of Extreme Weather Events: During the year 2024, extreme weather events, including severe monsoonal floods and prolonged droughts, disrupted supply chains and delayed critical deliveries, particularly in our automotive and agricultural equipment divisions.

Rising temperatures increased energy demands, driving up operational costs while simultaneously boosting sales of our solar-powered solutions.

Global shift towards low-carbon economy: Rising customer preferences for climate-conscious products and growing corporate sustainability mandates are reshaping demand globally. New carbon policies and renewable energy incentives reshaped market dynamics creating both compliance challenges and lucrative opportunities in green technology.

Impact to DIMO & Our response

DIMO not only fortified our infrastructure against climate disruptions but also strategically aligned product development with emerging environmental trends launching heat-resistant vehicle components and expanding its solar EPC (Engineering, Procurement, Construction) services. This is also evident in DIMO's Sustainability Agenda 2030. By treating climate change as both a risk and a catalyst for innovation, we transformed environmental pressures into competitive advantages, reinforcing our leadership in Sri Lanka's transition to a sustainable economy.

Our commitment extended beyond products to impactful initiatives such as the "Life to Our Beaches" conservation program, demonstrating how environmental stewardship and business growth can go work hand-in-hand.

Strategic Priorities

- ix Manage Climate Risk
- iii Embrace Sustainable Practices
- i Diversify Business Domains



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5. Human Capital: Our Driving Force and a Strategic Imperative

The open market has made human capital more accessible, offering the advantage of tapping into global talent and enabling flexible, location-independent work; however, this also comes with higher talent acquisition costs.

Talent migration and brain drain: Although migration-related employee turnover slowed compared to the previous year, talent retention remains a major challenge, as ongoing economic difficulties continue to drive young professionals overseas. This has increased the burden on remaining staff, who must manage workloads with limited resources.

Rising Employee Wellbeing: The compounded effects of Sri Lanka's economic volatility and heightened workplace demands manifested in growing wellbeing challenges. This trend reflected the acute pressures facing our workforce from financial anxieties to adaptation fatigue amid rapid technological changes. Most of the employees had to bear the dual burden of maintaining operational continuity while implementing transformative solutions.

Embracing diversity and inclusion: Economies around the world are recognizing that diverse teams drive better business performance, foster innovation, and contribute to more resilient and adaptable organizations. Companies that prioritize diversity — across gender, ethnicity, age, ability, and background — are increasingly outperforming their peers in profitability, productivity, and employee satisfaction.

Impact to DIMO & Our response

This trend, driven by Sri Lanka's economic pressures and better opportunities abroad, particularly impacted our engineering and digital team. However, our targeted retention programs have already shown promising results, lowering youth attrition in early 2025.

We have in place a holistic wellbeing program that encompasses financial counselling sessions, stress-resilience training programs and counselling facilities offered by professional counsellors and psychotherapists to support all employees, with a range of concerns.

Apart from that, DIMO has implemented key initiatives such as promoting diversity, challenging stereotypes, implementing strict anti-harassment policies and encouraging open communication to create a more inclusive and supportive workplace.

Strategic Priorities

- v Empower Talent Growth
- iv Elevate Brand Experience
- vii Foster Learning Culture