

MOMENTUM IN — MOTION

ANNUAL REPORT 2024/25



Strategy & Resources

OUR PURPOSE-DRIVEN STRATEGY



Our strategy, outlined through strategic pillars and priorities, offers a clear framework for focusing our efforts as a purpose-driven organization. It defines the actions required to achieve our short, medium, and long-term goals, creating value for our valued stakeholders.



Our Purpose

Our purpose is to fuel dreams and aspirations of the communities we serve.



Our Brand Promise

We are building sustained relationships with world class principals and stakeholders as their Perfect Partner.



Our Values

Integrity | People Centricity | Excellence | Customer Delight | Accountability

DIMO's 'Perfect Partner' promise is the operational blueprint for achieving its 'Fuelling Dreams and Aspirations' purpose, directly aligning with the ambitious targets of its 2030 Sustainability Agenda

In essence, DIMO's "Perfect Partner" promise isn't merely about transactional relationships; it's a strategic commitment to collaboration and shared value creation that directly drives its 2030 Sustainability Agenda, ensuring that the dreams and aspirations of all stakeholders are fuelled responsibly and sustainably for generations to come.

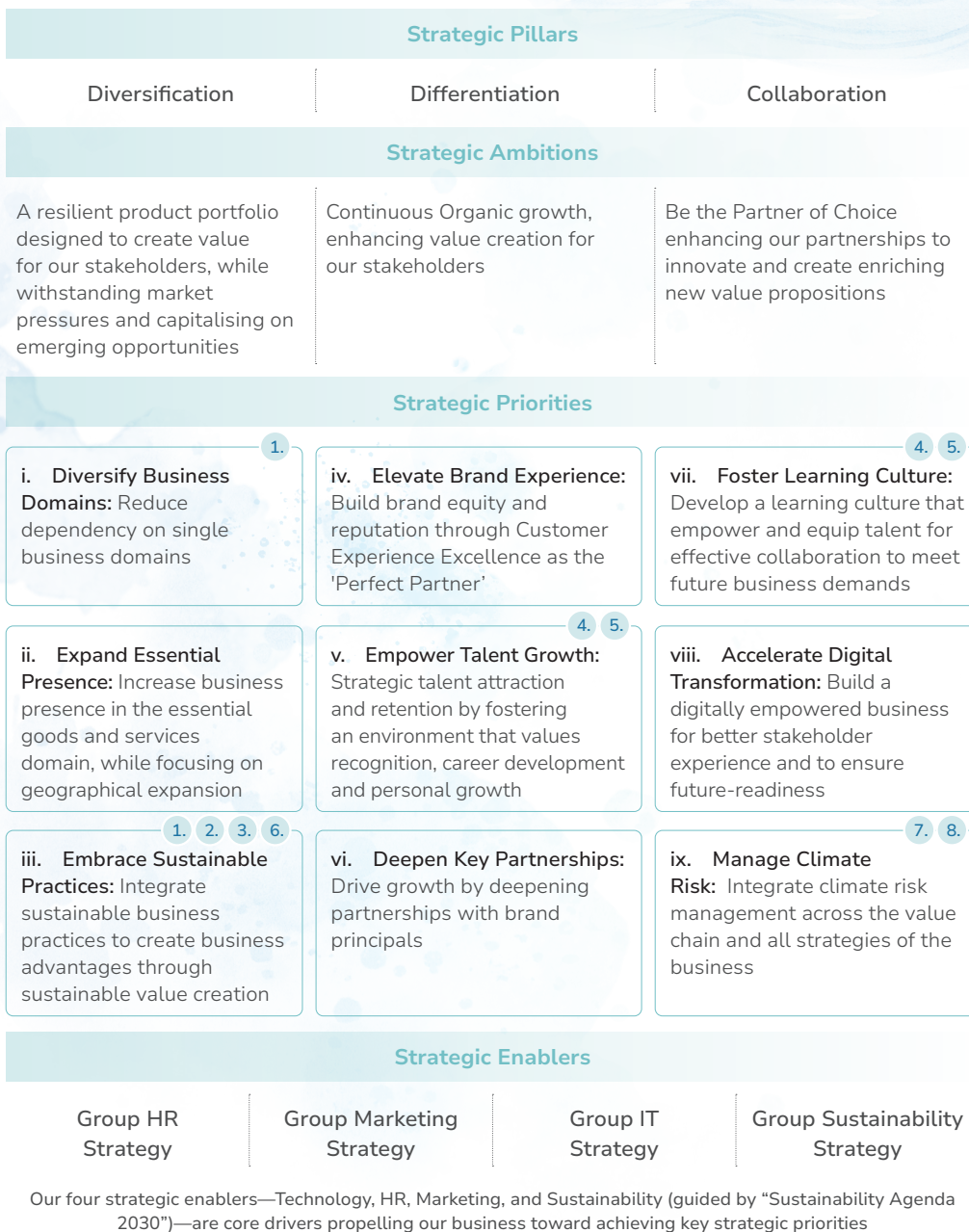


Figure 04: Sustainability Agenda 2030

Being a Resilient Business

1. Sustainable entrepreneurship & innovative product design
2. Ethical business conduct
3. Sourcing & circularity

Creating a Resilient Community

4. Improving employee wellbeing
5. Meaningful employment through diversity
6. Creating opportunities & partnerships for a thriving community

Conserving a Living Planet

7. A conscious footprint to minimize impact
8. Restore & enhance



Strategy & Resource
Allocation Section

<https://www.dimolanka.com/2024-2025-dimo-annual-report/url.php?id=10>

Table 02: Addressing Strategic Priority for Value Creation

Our nine strategic priorities set the direction for our strategy, entrenching our competitive advantage through the combined offering and synergies of our diverse portfolio to unlock value for stakeholders

Strategic pillar and priority		Current status or related strategy executions during recent past and 2024/25	The business outcomes we seek	Key Risks	Resources Deployed and Impact
1. Why 'Diversifying Business Domains' matters as a strategic priority for DIMO					
Diversification	For decades, DIMO was established, and thrived, as an 'Automobile' company.	DIMO has successfully expanded into seven different segments to date.	Medium to Long term Strengthen the presence in the Agriculture domain, becoming a key partner of growth for the farming community and the agricultural industry of Sri Lanka.	Operational Risk	● High
	However, the need to diversify into more business domains was identified at the peak of success - driven by the volatility of the business environment and the continuous emergence of new opportunities.	Refer page 35 to read more on our segments		Strategic Risk	FC MC
	Accordingly, it was sought to reduce the dependency on a single business domain to ensure optimal, consistent and continuous utilisation of all capitals for sustainable value creation in the medium and long-term.	During the year under review, DIMO made notable progress in diversifying its portfolio through strategic entry into the solar energy sector. Two solar power plants were successfully commissioned, while five additional plants are currently under construction, reinforcing our commitment to sustainable and innovative energy solutions.	Long Term Further expand the power and energy division to support national energy objectives.	Financial Risk	HC SRC
			Refer page 52 to read more on power engineering solutions		IC NC
2. Why 'Expanding Essential Presence' matters as a strategic priority for DIMO					
Diversification	The volatile and uncertain nature of both the local and global markets in the recent past, caused by many economic, political, environmental and social dynamics and extreme conditions has demonstrated the benefits of being present in the essential goods and services domain as well as the benefits of expanding geographical presence.	DIMO has undertaken efforts to expand its education arm by investing in a new facility in Peliyagoda.	Medium to Long Term Focus on agricultural exports and agricultural consumer products to establish a stronger presence in the essential goods domain to generate consistent revenue streams.	Strategic Risk	● High
	DIMO identified this requirement as being of strategic importance and hence identified the need to engage with sectors that have consistent demand, including agriculture, food and beverage, energy, education and healthcare.	In healthcare, our partnership with Varian, a Siemens Healthineers company, is advancing access to cutting-edge cancer treatment in Sri Lanka—reinforcing our commitment to national priorities and improving lives through critical services.	Provide expanded services and enriched experience towards vocational education, with a view to strengthening employability of our youth both locally and internationally, whilst improving financial performance of the education business stream.	Operational Risk	FC MC
	This approach ensures stability and resilience during economic downturns.	In Agriculture, DIMO ventured in to the export business during the year.	Long Term Further strengthen the healthcare consumer segment by onboarding new businesses and cultivating strategic partnerships.	Financial Risk	HC SRC
				Compliance Risk	IC NC

OUR PURPOSE-DRIVEN STRATEGY

Strategic pillar and priority		Current status or related strategy executions during recent past and 2024/25	The business outcomes we seek	Key Risks	Resources Deployed and Impact
3. Why 'Embracing Sustainable Practices' matters as a strategic priority for DIMO					
Diversification	<p>To secure our long-term sustainability as a corporate dedicated to social responsibility and environmental stewardship, we recognize that these efforts not only reflect our core values but also offer a strategic business advantage.</p> <p>In fulfilling our purpose of being the Perfect Partner to our stakeholders, we believe that achieving sustainability through our products and practices is a key driver of long-term value creation and a vital responsibility of a forward-looking, responsible corporate.</p>	<p>DIMO continued to strengthen its presence in the electric mobility space, with a strategic focus on expanding Mercedes-Benz and TATA electric vehicle (EV) sales.</p> <p>A key highlight during the year was the launch of Tata Motors' all-new passenger vehicle portfolio in Sri Lanka, in collaboration with DIMO, which featured a range of cutting-edge electric vehicles.</p> <p>Entry into the Solar energy sector as explained in point 1 above, is another initiative aligned with our Sustainability agenda, in introducing sustainable products into our portfolio.</p>	<p>Long Term</p> <p>Our goal is to create a positive impact on the lives of one million individuals.</p> <p>Drive by 2030; 50% of our revenue to be generated via sustainable products and services as defined in our sustainability agenda.</p> <p>We continue to achieve our sustainability agenda through the Business, Community and Living Planet pillars.</p> <p>Refer page 22 to read more on our sustainability agenda progress</p>	<p>Operational Risk</p> <p>Strategic Risk</p> <p>Financial Risk</p> <p>Reputational Risk</p>	<p>● High</p> <p>FC HC</p> <p>SRC NC</p> <p>● Moderate</p> <p>IC</p> <p>● Low</p> <p>MC</p>
4. Why 'Elevating Brand Experience' matters as a strategic priority for DIMO					
Differentiation	<p>A strong brand reputation, built upon consistently delivering exceptional Customer Experience and embodying our 'Perfect Partner' promise, is critical. It fosters stakeholder trust, enhances customer loyalty and advocacy across our diverse businesses and provides a significant sustainable competitive advantage, directly contributing to the achievements of our strategic goals.</p>	<p>During the year, the 3CX Contact Centre Solution, along with a mini-CRM system, was implemented to enhance customer experience.</p> <p>The primary objective of this initiative is to establish a solid foundation for future integrations and improvements.</p> <p>Initial steps have been taken to focus on digital solutions to improve internal and external customer experience, through improvements to process efficiencies and the introduction of dedicated teams.</p>	<p>Short, Medium and Long Term</p> <p>Leveraging insights from our reputation tracking and brand studies, we will actively implement strategies centred on embedding Customer Experience excellence at every touchpoint.</p> <p>In fulfilling our Purpose of being the Perfect Partner to our stakeholders, we believe securing sustainability through our business practices and products and practices is one of the main long-term wealth creations mechanisms we should undertake to do as a forward-looking responsible Corporate.</p>	<p>Reputational Risk</p> <p>Operational Risk</p> <p>Strategic Risk</p>	<p>● High</p> <p>FC IC</p> <p>SRC</p> <p>● Moderate</p> <p>MC HC</p> <p>● Low</p> <p>NC</p>

Strategic pillar and priority		Current status or related strategy executions during recent past and 2024/25	The business outcomes we seek	Key Risks	Resources Deployed and Impact
5. Why ‘Empowering Talent Growth’ matters as a strategic priority for DIMO					
Differentiation	Attracting and retaining talent has become increasingly challenging amid economic pressures and the migration of young professionals.	DIMO attracts top talent through university partnerships and career fairs while nurturing growth via local and international training. During the year the company recorded 8,853 hrs of training for all levels of employees.	Short to Medium Term Aligned with the HR strategy, the ACE model (Attract, Capability Building, Engage) is implemented to effectively attract, develop, and retain critical talent.	Operational Risk	<div>● High</div> <div>FCIC</div> <div>HC</div> <div>● Moderate</div> <div>MC</div> <div>SRC</div> <div>NC</div>
	Although there has been a slowdown in migration has slowed, the remaining workforce faces heavier workloads with limited resources—highlighting the need to create an environment that supports growth, recognition, and career development, thereby creating the differentiation that helps to effectively attract and retain top talent.	The use of SAP SuccessFactors provides real-time employee data, enabling data-driven decisions and effective performance management to ensure individual contributions are aligned with organizational goals, reinforcing a culture of accountability and continuous development. Refer page 78 on human capital report and 28 on HR strategy	Medium to Long Term The integration of SAP SuccessFactors continues to support performance monitoring, skill gap identification, and strategic succession planning through its advanced analytics capabilities. Refer page 78 on human capital report and 28 on HR strategy	Strategic Risk Reputational Risk	
6. Why ‘Deepening Key Partnerships’ matters as a strategic priority for DIMO					
Differentiation	Imports play a significant role in DIMO’s business operations, with a substantial portion of our portfolio reliant on globally sourced products.	DIMO continues to strengthen its collaborations with brand principals across all seven sector business activities.	Medium to Long Term DIMO aims to drive business growth by strengthening partnerships with world-class principals, ensuring access to premium products, favourable commercial terms, and aligned support services.	Strategic Risk	<div>● High</div> <div>FCIC</div> <div>SRC</div> <div>● Moderate</div> <div>HC</div> <div>MC</div> <div>● Low</div> <div>NC</div>
	As a company committed to introducing world-renowned brands to our customers, ensuring accessibility and quality is essential.	To date, the company has established partnerships with 116 brand principals during the 2024/25 period.	This strategy reflects our brand promise of being the Perfect Partner, fostering sustained relationships that enhance market presence, customer experience, and long-term business sustainability.	Operational Risk Financial Risk Reputational Risk	

OUR PURPOSE-DRIVEN STRATEGY

Strategic pillar and priority		Current status or related strategy executions during recent past and 2024/25	The business outcomes we seek	Key Risks	Resources Deployed and Impact
7. Why 'Accelerating Digital Transformation' matters as a strategic priority for DIMO					
Collaboration	Enhancing customer experience is a primary objective of DIMO. It is driven largely by the continuous improvement of employee experience.	During the year initiatives have been made to explore into new digital technologies that can be adopted, in addition to structural and process changes to complement the new ERP adoption. Management has appointed cross functional teams to drive the said programs as well as the development initiatives required for long range planning of the company.	Short-Term Contribution towards initiatives for the future by teams involved.	Strategic Risk	● High
	We believe that effective collaboration happens when the teams running the operations build a learning behaviour, which leads to creativity, innovation, and effective change management and voluntary adaption to new technology.	This has been done as a conscious effort to build a learning culture apart from the specific efforts rolled out by the HR teams.	Medium to Long-term Effective collaboration of resources initiated by teams at all levels for better outcomes and return.	Operational Risk	FC IC SRC SC
	Conscious efforts are being made towards learning, in addition to the specific training programs.	Refer Human Capital Page 78 for more details	Refer Human Capital Page 78 for more details	Financial Risk	● Low IC HC
8. Why 'Fostering a Learning Culture' matters as a strategic priority for DIMO					
Collaboration	Building a digitally powered enterprise is central to DIMO's strategy for enhancing stakeholder experiences and ensuring long-term resilience. By adopting cost-efficient, scalable, and intelligent solutions, we reduce manual tasks and enable streamlined, data-driven workflows.	DIMO's IT function enables agility, efficiency, and secure digital transformation aligned with our sustainability goals. We've adopted intelligent automation and a strong digital infrastructure as key drivers.	Short, Medium and Long Term As part of our digital transformation, DIMO is creating agile, efficient, tech-enabled operations across all sectors. Through automation and integrated platforms, we reduce OPEX, accelerate processes, and scale effectively.	Strategic Risk	● High
	Our transformation emphasizes cross-functional interoperability, improved productivity, and unified process orchestration across all units. A standardized tech backbone ensures consistent user experiences and alignment with sector-specific needs.	RPA bots across services have improved efficiency, with AI and ML now scaling end-to-end intelligent workflows.	Unified digital systems enhance integration, visibility, and user experience. Our strategy centers on secure, resilient, future-ready IT, leveraging hybrid cloud, strong cybersecurity, and user-focused design to drive agility, innovation, and sustainable growth across the enterprise.	Operational Risk	FC IC HC
	Core to this journey is governed, high-quality data for timely, informed decisions. Hybrid cloud infrastructure and zero-trust security provide the agility and protection needed to support our teams, partners, and customers in a dynamic, digital-first world.	We strengthened our digital core through SAP upgrades, Microsoft 365 tools, ManageEngine for ITSM, and 3CX for secure voice communication.		Financial Risk	● Moderate SRC MC
		The "One-Number" reporting system enhances data transparency, governance, and real-time insights.		Compliance Risk	● Low NC
		Cybersecurity was reinforced via zero-trust principles and secure remote access, boosting resilience in a dynamic threat landscape.			

Strategic pillar and priority	Current status or related strategy executions during recent past and 2024/25	The business outcomes we seek	Key Risks	Resources Deployed and Impact
9. Why ‘Managing Climate Risk’ matters as a strategic priority for DIMO				
Collaboration <p>As part of our purpose to being a Perfect Partner to all our stakeholders, DIMO believes that we must be a perfect partner to the nature and environment in which we and our stakeholders live and operate. We are at a stage where nature is heavily threatened by the rapidly increasing climate risk.</p> <p>As climate risks evolve, we continue to integrate both short- and long-term strategies to safeguard our operations and drive sustainability to mitigate the impact we add to Climate Risk through our operations, as well as to mitigate the Climate Risk that impacts our operations.</p>	<p>Increasing our contribution to clean energy production by investing in six solar power projects with a total capacity of 25MW.</p> <p>As we continue to pursue new business opportunities, we remain committed to ambitious emission reduction targets in alignment with the Science Based Targets initiative (SBTi). Our approach focuses on building a sustainable business portfolio by addressing emissions across all three scopes. We ensure data accuracy through verification processes aligned with the ISO 14064-1:2018 standard. To support our long-term goals, DIMO has developed a comprehensive decarbonization plan grounded in scientific principles.</p>	<p>Long Term</p> <p>A decarbonization strategy will be implemented to reduce emissions across our value chain and within our product and service offerings.</p> <p>Refer page 22 to read more on Sustainability Agenda.</p>	<p>Compliance Risk</p> <p>Operational Risk</p> <p>Strategic Risk</p> <p>Financial Risk</p> <p>Reputational Risk</p>	<p>● High</p> <p>NC SRC</p> <p>IC</p> <p>● Moderate</p> <p>FC MC</p> <p>● Low</p> <p>HC</p>

Accelerate to the Future

As part of our continued commitment to delivering on our strategic priorities, the Acceleration Plan remains central to guiding our efforts and aligning resources across the organization. Despite challenges affecting our financial performance, this plan provides a clear framework for focused execution and long-term, sustainable growth in an increasingly complex market environment.

Key Objectives - Business Unit and Cluster Heads define segment-specific objectives aligned with the company's overall purpose



Group-wide Alignment - The Corporate Planning Team consolidates and aligns these objectives across the group to ensure coherence and focus

Cross-functional Teams - Dedicated cross-functional teams are assigned to drive key initiatives and support execution



Execution - Upon final approval from the Group Management Committee (GMC), execution begins, ensuring alignment with strategic intent

OUR PURPOSE-DRIVEN STRATEGY

Table 03: Key Strategic Enablers - HR, Marketing, Technology and sustainability

	HR Strategy	Marketing Strategy	Technology Strategy	Sustainability Strategy
 Objective	Build people equity to drive performance and ensure sustained organizational success through the continuous optimization of our organizational design, enhancement of the employee experience, and strategic alignment of HR initiatives with corporate objectives.	Drive sustainable competitive advantage by instilling exceptional Customer Experience throughout our diversified business operations, fulfilling our 'Perfect Partner' promise, and achieving strategic objectives.	Leverage digital technologies to improve the quality, cost efficiency, delivery, and overall experience of our products and services.	As part of our Sustainability Agenda 2030, we are embedding ESG principles into our strategy, business model, and decision-making. This ensures sustainability is integrated across operations, drives long-term value, and strengthens our leadership in sustainable practices, guided by our 7 key KPIs.
 Strategy 2024/25	<p>The Strategic Human Resources Plan is designed to enhance people equity by strategically attracting, developing, and engaging talent across the organization. Grounded in the ACE Model—Attract, Capability Building, Engage—this approach ensures seamless alignment between human capital initiatives and the company's overarching strategic goals.</p> <p> Refer page 76 for more information</p>	<p>Embed exceptional Customer Experience (CX) across all business touchpoints.</p> <p>Leverage brand and reputation insights to align actions with our 'Perfect Partner' promise.</p> <p>Drive data-led decision-making to support sustainable competitive advantage.</p>	<p>Embrace digital technologies to automate processes, elevate customer experiences, and foster innovation.</p> <p>Strengthen cybersecurity across the organization to safeguard all business systems and data.</p> <p>Modernize IT infrastructure and legacy systems to enhance performance, reliability, and agility.</p>	<p>In our Agenda, we outline the strategic roadmap to achieve our vision by 2030, reflecting DIMO's commitment to UN Sustainable Development Goals (SDGs) & Nationally Determined Commitments (NDCs).</p> <p>The agenda is structured along 3 pillars with 4 Pillar Heads driving the 7 KPIs established under the leadership of the CEO.</p>
 Risks & Responses 2024/25	<p>We proactively addressed challenges in attracting diverse talent, addressing skill gaps in digital transformation, and managing employee disengagement and turnover.</p> <p>Building on our efforts from last year, these were mitigated through proactive hiring initiatives, strategic partnerships for early talent engagement, leadership development programs, and a strong focus on employee engagement and retention strategies.</p>	<p>Economic volatility affecting demand and affordability across key sectors was mitigated through agile reprioritization of the value propositions and service mix. Focused CX delivery was maintained to retain brand trust and loyalty.</p> <p>Recovery in the construction sector was slower than anticipated, adversely affecting operations; this was mitigated through offerings adapted to align with market dynamics.</p>	<p>The transformation journey may encounter resistance from employees as well as operational disruptions, and challenges in aligning stakeholders.</p> <p>To address this, a change management strategy was developed in collaboration with the Group HR division, along with by contingency plans to ensure seamless operations.</p>	<p>We proactively identify and assess the environmental, social, and governance (ESG) risks associated with DIMO's activities as part of our comprehensive risk management process. These risks encompass both the impact DIMO has on ESG factors and the potential risks ESG considerations pose to DIMO.</p> <p>Through this process, we mitigate ESG risks by integrating sustainable practices, ensuring compliance, and aligning our decision-making with long-term sustainability goals.</p>

	HR Strategy	Marketing Strategy	Technology Strategy	Sustainability Strategy
 <p>Opportunities 2024/25</p>	<p>We capitalized on opportunities within HR, including the adoption of diverse hiring practices and the enhancement of employer branding.</p> <p>Our focus on digital transformation played a pivotal role in fostering a more engaged workforce, contributing significantly to organizational growth and innovation.</p>	<p>Strengthening customer experience to build loyalty across segments.</p> <p>Brand equity is leveraged for niche markets and product launches.</p> <p>Insights identify and drive new revenue opportunities. Affected businesses recover by capitalizing on economic tailwinds.</p>	<p>The technological platform provided an opportunity to redesign the organization and transform our workflows.</p> <p>It significantly improved data capture across all value chains, enabling us to enhance customer experience and drive key performance indicators (KPIs).</p>	<p>In alignment with our sustainability strategy, DIMO recognizes significant opportunities to enhance brand equity through the management of ESG risks and the integration of sustainability into our value proposition.</p> <p>By differentiating ourselves in the market, building customer trust and loyalty, and expanding our reach into new markets, we aim to strengthen our position as a leader in responsible business practices.</p>
 <p>Future Outlook</p>	<p>Digital transformation will remain a key priority, leveraging SAP SuccessFactors for real-time employee data to optimize performance. As change accelerates, robust analytical capabilities will be critical for enabling informed decision-making and ensuring alignment with evolving business objectives.</p> <p>Simultaneously developing strategic frameworks to retain critical talent will be vital, as a skilled and engaged workforce will be essential to driving long-term success. The HR strategy will prioritize continuous employee development, proactive talent retention, and a reimagined employee experience, ensuring that the workforce remains adaptable, resilient, and aligned with future growth objectives.</p>	<p>The focus is on delivering a seamless customer experience by anticipating evolving needs and enhancing personalization through data-driven insights.</p> <p>Innovation in value propositions deepens brand loyalty and strengthens customer relationships.</p> <p>The diversified portfolio drives strategic alignment and fulfills the commitment of being the 'Perfect Partner' brand.</p>	<p>The technology platforms serve as a foundation for further advancements, including automation and predictive capabilities. The integration of all business operations via ERP and along with the expansion of data analytics capabilities, will enable more informed and efficient decision-making.</p>	<p>DIMO's outlook focuses on enhancing ESG systems and reporting, with audits to ensure transparency and alignment with our 2030 sustainability agenda showcasing accountability.</p> <p>We aim to drive sustainable innovation, increase operational circularity through greening our supply chain, and implement SLFRS Sustainability Standards with transitional relief.</p> <p>By 2030, DIMO is committed to achieving these goals, optimizing operations, and creating long-term value for stakeholders, while reinforcing our leadership in responsible business practices and going all the way in sustainability.</p>

OUR PURPOSE-DRIVEN STRATEGY

The achievement of our nine strategic priorities relies on key strategic enablers across the short, medium and long term.

HR Strategy	Marketing Strategy	Technology strategy	Sustainability Strategy
i. Diversify Business Domains v. Empower Talent Growth vii. Foster Learning Culture	i. Diversify Business Domains ii. Expand Essential Presence vi.Embrace Sustainable Practices iv.Elevate Brand Experience vi.Deepen Key Partnerships	i. Diversify Business Domains v. Empower Talent Growth vii. Foster Learning Culture	i. Diversify Business Domains ii. Expand Essential Presence vi.Embrace Sustainable Practices iv.Elevate Brand Experience vi.Deepen Key Partnerships

Table 04: Basis for Resource Allocation

The matrix below illustrates the basis for capital allocation for each strategy, highlighting the critical importance of each type of capital in achieving our strategic aspirations

Capital	Diversification	Differentiation	Collaboration
Financial	●	●	●
Manufactured	●	●	●
Human	●	●	●
Social & Relationship	●	●	●
Intellectual	●	●	●
Natural	●	●	●

Group HR strategy ●

Group Marketing strategy ●

Group IT strategy ●

Group Sustainability strategy ●

● High dependency ● Moderate dependency ● Low dependency



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

NAVIGATING A DYNAMIC LANDSCAPE: OUR OPERATING ENVIRONMENT



Operating Context
Section
<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

i

Diversify Business Domains

iii

Embrace Sustainable Practices

ix

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

viii

Accelerate Digital Transformation

i

Diversify Business Domains

ii

Embrace Sustainable Practices

vii

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



NAVIGATING A DYNAMIC LANDSCAPE: OUR OPERATING ENVIRONMENT

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