

May, 2017

Dear Amana Society, Inc. Stockholder:

Introduction

After another mild winter, we close the books on the first quarter. Sunshine, warmer temperatures, and spring rain put people in a better mood and Amana springs to life as well! As of this writing, the corn planting is underway and nearing the halfway point. Work projects have started, and planning for festivals and summer events adds excitement to the season. The Service Company will get much of our attention this year as the three-year project to upgrade our water system enters the construction phase.

Operating Results

This is your first 2017 quarterly report of operations for the Amana Society, Inc. As shown in the table below, the company has reported pre-tax income of \$422,000 for the first quarter of the year. The \$974,000 improvement over first quarter, 2016 is attributable to two key factors. As you probably recall, the Farm had record yields of corn and soybeans last year. The profit from those bushels boosted first quarter earnings as we shipped the grain to market. Amana-Nordstrom also sold the Collins Road hotel in Cedar Rapids and Amana Society's share of the gain was just over \$500,000.

AMANA SOCIETY, INC. & SUBSIDIARIES
Year-to-Date March 31, 2017
(000s omitted)

	Sales		Profit (Loss) Before Tax	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
Amana Society, Inc.	\$ 3,242,733	\$ 3,243,507	\$ (777,845)	\$ (687,766)
Amana Farms, Inc.	\$ 2,586,927	\$ 3,020,924	\$ 635,692	\$ (10,399)
Amana Society Service Co.	<u>\$ 2,056,116</u>	<u>\$ 2,031,181</u>	<u>\$ 157,292</u>	<u>\$ 241,340</u>
Total from Continuing Operations	\$ 7,885,776	\$ 8,295,612	\$ 15,139	\$ (456,825)
Community & Stockholders Expense	\$ -	\$ -	\$ (90,285)	\$ (84,549)
Income - Amana-Nordstrom	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 496,656</u>	<u>\$ (11,429)</u>
Total	<u>\$ 7,885,776</u>	<u>\$ 8,295,612</u>	<u>\$ 421,510</u>	<u>\$ (552,803)</u>

Amana Society

The first quarter, when retail is at its lowest, resulted in a loss for Amana Society businesses of \$90,000 more than the comparable period of 2016. Traffic at the new pharmacy in Tiffin, opened in July of 2016, is still slow as long-term doctor/pharmacy relationships are difficult to change for many residents. Progress is being made, but the new store reported a loss of \$62,000 for the three months ended March 31. We have undertaken an aggressive marketing campaign to encourage local residents to fill their prescriptions where they live. After a record 2016 at the Meat Market, first quarter results were down \$49,000 with Easter sales moving to April and as meat prices have stabilized and returned margins to more normal levels. Performance at the Meat Market will also improve as the summer season typically brings more meat sales and the preparations continue for even bigger online and mail order sales this holiday season.

On a positive note, first quarter sales for the Retail and Local Services divisions were up 5% from 2016 to \$3,459,000. This includes General Store, Furniture, Woolens, Pharmacy, Insurance, and Cedar Rapids Millwork. The Insurance agency also received a profit sharing payment this year reflecting good loss experience in 2016.

Amana Farms

The Crop Division has reported sales of \$2,177,000 and earnings of \$653,000 during the first quarter of 2017. This compares with sales of \$1,509,000 which produced income of \$125,000 in the first quarter of last year. As mentioned above, the large harvest of corn and soybeans from 2016 drove down our average cost per bushel and boosted this year's profits as the grain was sold.

The Beef Division reported a loss of \$47,000 for the first quarter on sales of just \$193,000. Last year's first quarter loss was \$123,000 on sales of \$1,286,000. Cattle prices rebounded somewhat in the first quarter of 2017 but remain at levels where the sales don't completely cover the production costs.

On April 19, 2017, the Iowa Utilities Board approved Amana Society's application for renewable energy tax credits for electricity produced at our anaerobic digester. This means that we will receive state income tax credits of 1.5 cents for each kilowatt hour of electricity generated there. In 2016, the digester produced and sold 9.7 million kilowatt hours of electricity. If we generate a similar amount in 2017, we will receive state income tax credits of approximately \$145,000 early in 2018. The credits can be used to reduce the Amana Society state income tax bill or sold to a larger company in Iowa looking to reduce its tax payments. While the law has been on the books for a few years, there was previously no capacity available for us to apply. When someone released their capacity, we took the opportunity to apply for the credits.

During the first quarter, three storage tanks were completed and put into service for fertilizer storage when the ground is frozen or land application isn't possible. However, the unusually mild winter permitted application even during winter months, so the tanks didn't get completely filled this year. As you may recall, the tanks are a requirement of a long-term contract to haul and store the fertilizer product on our farm. This operation reported earnings of \$148,000 during the first quarter and \$782,000 in 2016.

Service Company

Year-to-date income for the first quarter of 2017, before tax, was \$157,000, down from 2016 levels of \$241,000. Electric, Water, and Generation Divisions were all down, primarily due to lower electric demand and repairs to the aging water system.

The water upgrade project continues to progress with a focus on completing system design and obtaining final DNR approval. Each location of excavation/construction has been inspected for historic relics. Several sites were found that we must avoid. Fortunately, the sites are in locations that can be avoided with minimal inconvenience and expense and are therefore of little consequence to the project. Construction bid packages are expected to go out by the end of June. We continue to press HR Green and the DNR to allow work as soon as possible on wells in High and West due to premature failure of the old wells.

Amana-Nordstrom

The sale of the Collins Road Holiday Inn Express was completed on January 19, 2017. The resulting gain was just over \$1,000,000 with one-half accruing to the Amana Society. The sale of the 33rd Avenue Holiday Inn Express is pending at this time, but we fully expect that this transaction will be completed in 2017 producing a larger gain based on current numbers. After the hotels are both sold and the debts are paid, we will determine the best way to distribute cash while working to minimize the related expenses and income tax liability.

Scholarships

Congratulations to Eli Davidson and Tyreke Williams, recipients of 2017 Amana Society, Inc. scholarships, in the amount of \$1,000 each. Eli is the grandson of Amana Society stockholder, Shirley Reihman Davidson, and Tyreke is the son of Amana Society employee, Mike Williams. Scholarships are awarded annually to deserving graduating seniors who are Amana Society employees, children/grandchildren of employees, or children/grandchildren of Amana Society stockholders. Applicants are evaluated based on the applicant's academic record and on an essay.

Outlook

We are off to a strong start for 2017 in many areas. The first quarter, and prospects for the balance of the year, are very good for the Meat Market, Pharmacy, Cedar Rapids Millwork, and the General Store. The Farm has carefully locked in prices for grain sales and streamlined operations as much as possible to weather this period of relatively lower prices. Delivery of grain as scheduled is proceeding. With lower cost per bushel due to higher yields and more bushels to sell, along with continuing premiums for the specialty grains we produce, 2017 is shaping up to be a very good year for the Crop division. Agriculture is very cyclical, but new sources of income and tax credits that have been added in the last year can only help. The Service Company remains a strong and predictable contributor to earnings, as it has been in the past. We, once again, are recognizing the value of our company's diversification.

Thank you for your business. Comments and suggestions are always welcome. Your support is greatly appreciated.

Sincerely,

Amana Society, Inc. Board of Directors, Chief Executive Officer and Employees

Note: This letter contains confidential information for the private use of Amana Society shareholders and is not for public use.