



October 15, 2020

Dear Amana Society, Inc. Stockholder:

Introduction

The third quarter of 2020 continued to deliver unprecedented challenges including continued uncertainty around the COVID-19 pandemic and extreme weather that greatly impacted the Amana Farms. Retail businesses began to see traffic come back, but significantly below the levels of pre-pandemic. Additionally, Würstfest was cancelled and replaced with smaller gatherings facilitated by the restaurants. On a positive note, the long-awaited opening of Hotel Millwright took place with the first guests spending the night on September 26th.

Operating Results

Preliminary third quarter operating results are as follows in the table below. Operating results for both crop and beef are in line with 2019, however future results will be impacted due to spring flooding, a heavy windstorm in early July, the drought conditions that followed and the derecho in August.

The Amana Woolen Mill, Amana Furniture Shop, the General Store and Little Red Wagon remained below normal due to reduced traffic but some of that was offset by additional sales from both the Amana Meat Shop and the guests deciding to social distance by staying at the RV Park. Retail sales through September fell short of where we were in 2019 by 27.1% but the RV Park and Meat Shop collectively were up by 37% over 2019. Sales at Cedar Rapids Millwork continued to be challenged as home builders struggle to find skilled people as derecho cleanup and repair has many contractors busy on repairs versus new construction. We're expecting that the Payroll Protection Program (PPP) will provide additional safety going forward.

The operating results are not reflective of receiving Payroll Protection Plan (PPP) funds as these funds are considered a loan until ultimately forgiven. Assuming the loan will be forgiven, it will be converted to a grant. The Treasury Department, Congress and the IRS have not settled on the details of forgiveness, but a portion may be subject to some taxation at some level.



Note that the results posted below are preliminary and may adjust slightly due to any closing September adjustments.

AMANA SOCIETY, INC. & SUBSIDIARIES
Year-to-Date September 30, 2020

	Sales		Profit (Loss) Before Tax	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
Amana Society, Inc.	\$ 11,789,369	\$ 11,337,298	\$ (2,072,542)	\$ (2,020,546)
Amana Farms, Inc.	\$ 8,099,881	\$ 8,452,456	\$ 1,463,468	\$ 1,934,371
Amana Society Service Co.	\$ 7,019,338	\$ 7,977,015	\$ 905,967	\$ 878,834
Total from Continuing Operations	\$ 26,908,588	\$ 27,766,769	\$ 296,893	\$ 792,659
Community & Stockholder Expense	\$ 28,262	\$ 23,984	\$ (310,333)	\$ (275,245)
Total Pre-tax Income	\$ 26,936,850	\$ 27,790,753	\$ (13,440)	\$ 517,414

Amana Farms

Note that these figures reflect Crop, Beef, Forestry, the RV Park, the Anaerobic Digester and Substrate Hauling financials.

Amana Farms, Inc. reported year-to-date sales of \$8,099,881 and pre-tax income of \$1,463,268 through the 3rd quarter of 2020. This compares with sales of \$8,452,456 and pre-tax income of \$1,934,371 through the 3rd quarter of 2019. Crop sales were down \$1,024,117 compared to 2019. This is not a surprise as we are selling the 2019 crop in 2020 and the growing season was substantially impacted by flooding in 2019 with 1,100 acres unplanted. Beef sales were \$475,253 higher in 2020 than in 2019. Beef commodity prices have remained challenging. In August, Amana Farms hired Jennifer Sauers into its organization. She reports to the Amana Farms but in her role, she's begun to coordinate cattle operations working with the Amana Meat Shop and wholesale (meat counters/shops) businesses in an effort to process and sell Amana Farm's raised beef at higher margins.

The mild winter and seasonal start to spring allowed the Amana Farms operation to have a successful planting season, however two sizable wind events, including the August derecho and a mid-summer drought significantly harmed the soybeans and devastated the corn crop. Additionally, June flooding damaged approximately 500 acres of crops.



Service Company

The Service Company reported YTD sales of \$7,019,338 and pre-tax income of \$905,967 through the 3rd quarter of 2020. This compares with sales of \$7,977,015 and pre-tax income of \$878,834 through the 3rd quarter of 2019. The decrease in sales is primarily attributed to 2nd quarter shutdowns at Whirlpool due to employees testing positive for COVID-19. Despite the lower sales number, we exceeded 2019 pre-tax income.

Throughout the third quarter the service company continued working with LRE Water, HR Green, the Amana Farms, and the Iowa DNR on the Phase II testing for nitrates in the water system. The testing should soon be complete, and the test results are available. The next steps will involve evaluating the best sustainability efforts to be implemented to help mitigate nitrate risk going forward. We hope to get recommendations during the fourth quarter and will likely be implemented as part of the spring planting season in 2021. The wells in question remain offline as we continue to monitor the water and can ensure that it remains safe for the community.

Throughout the remainder of 2020, we anticipate the Service Company project of connecting Homestead to the South Amana water system will continue with completion sometime in 2021. The system already feeds the rail yard on Hwy 6 making the connection easier than it would be otherwise. This should help reduce cost as currently the Homestead system is completely stand alone and dated. Combining South and Homestead will make it much more efficient.

Additionally, the water tower demolitions began in September with the first taking place in East Amana.

I'd like to recognize the efforts of the Service Company during the August derecho. Through planning and execution, power remained on in the Amana's where Cedar Rapids was essentially shut down, in some cases, exceeding 2 weeks. The service company was also instrumental in getting downed trees removed allowing traffic in Main Amana to flow as normal.

Retail (Amana General Store, Amana Woolen Mill & the Amana Furniture Shop)

The 3rd Quarter remained challenging due to uncertainty around the COVID-19 pandemic. Traffic in July started to pick up, however it was very slow. Throughout the third quarter, we saw a gradual increase although its still well behind what we would normally expect to see. Additionally, Würstfest was cancelled and replaced by smaller gatherings held within the Amana restaurant community. Festivals not only bring people who spend money in the Amana businesses, but they generate revenues through the festivals themselves.

With full support of the ASI board, we made the decision to require masks within the ASI retail businesses effective October 1. This is in line with what many other retail businesses require, and we felt it in the best interest of our employees, our customers and the community.



As a whole, retail businesses reported sales of \$2,099,228 and a pre-tax loss of \$605,970 through the 3rd quarter of 2020. This compares with YTD sales of \$2,879,335 and a pre-tax loss of \$389,719 through the 3rd quarter of 2019. Encouraging however, 2020 September sales were 15.6% ahead of 2019 levels. September net income exceeded last year by 212%. Although encouraging, there is still concern around a second wave of COVID-19 that many experts predict will come with the fall and winter.

We've been working diligently to improve the financial situation of both the Amana Woolen Mill and the Amana Furniture Shop. It's early on in some of our initiatives but both significantly improved over 2019 for the month of September in terms of sales and net income. The Amana Woolen Mill sales improved by 53.6% and showed a profit. It posted a loss in 2019. The Amana Furniture Shop increased September sales by 21.2% and reduced the financial loss by 69.9%. We are hopeful that both businesses will benefit by improved traffic as the result of the opening of Hotel Millwright. The Woolen Mill will move its salesroom back on the campus of the hotel in November.

As the 3rd quarter winds down and the 4th quarter begins, we remain hopeful that the Payroll Protection Plan (PPP), will cushion the impact of reduced sales and provide a realistic chance of getting back on track. We still have minimal clarity on how Payroll Protection Plan (PPP) forgiveness works and when exactly it takes place. If forgiven as anticipated, the funds will directly affect the bottom line in a positive way.

Amana Meat Shop

The Amana Meat Shop continued its solid performance. Much of the increase is directly related to increased mail order business brought on by the coronavirus. The Meat Shop reported YTD sales of \$3,521,247 and a pre-tax income of \$63,823 through the 3rd quarter of 2020. This compares with sales of \$2,544,551 and a pre-tax loss of \$229,487 through the 3rd quarter of 2019. *Note that the Amana Meat Shop traditionally makes up for any loss and becomes profitable in the 4th quarter.* We are hopeful that much of the new business brought on by the coronavirus will translate into new, reorder customers.

In the third quarter of 2020, Amana Farms hired Jennifer Sauers for its beef operation. Jennifer will work directly with the Amana Meat Shop and the Iowa State Center for Industrial Research and Service (CIRAS) on exploring creative ways to enhance sales and profit opportunities with the reintroduction of Amana Farms Beef. In September, CIRAS has begun direct training of the Amana team along with the development of the strategy. This will accelerate throughout the 4th quarter. Initial research indicates that we can potentially get better pricing for Amana Farms raised cattle, while greatly enhancing our beef offerings. Additionally, we continue to make great strides in expanding the shelf-stable Amana Meat products in convenience stores within the region.



Additional areas of interest:

Hotel Millwright Project

The Hotel Millwright celebrated its opening with the first guests staying on September 25th. Initial feedback has been extremely positive. September 25th represents the “soft opening” however the official Grand Opening is planned for October 21st. The Grand Opening will consist of two events, one for the Amana shareholders, community leaders, business leaders and residents. The second will involve the media, politicians and other dignitaries that helped ASI in the process getting the project started, completed and ultimately open.

The **Merino Loft** (2nd floor weaving building Event Center) and **The Electric Thread** (restaurant & lounge) are open for business, while **The Carding Studio** (scotch & whiskey bar) will soon be available to host smaller events and gatherings. As indicated previously, the Amana Woolen Mill sales room will relocate onsite in November.

IDM Hospitality, our partner in managing the hotel, continues to actively market the hotel within the region. Initial feedback and reviews have been nothing but positive and we anticipate a strong October. Please check out www.hotelmillwright.com.

Land Purchase

The Amana Society Board of Directors approved the purchase of 149 acres a short distance from ASI land, north of High Amana, known as the Ballard Farm. Although not connected to current ASI land, the proximity is such that it can still be farmed efficiently.

Amana Golf Club Purchase

The Amana Society Board of Directors approved the purchase of the Amana Golf Club business entity. *The Amana Society has always owned the land.* The Amana Golf Club is strategic to the success of the Hotel Millwright and assures that Amana will continue to boast one of the top courses in the state of Iowa. Stephen Kahler will continue to operate the course through Kahler Golf, LLC. The purchase allows the continued updates and investments that are essential to its continued success and high rating. The Amana Golf Club has had its most successful year in 2020 and the outlook for the future is bright.

Urgent---Stockholder Survey Responses Needed from You!!!

As an Amana Society Stockholder, you have now received via US Mail the 2020 Stockholder Survey! Please take 10-12 minutes to take the survey. Your feedback is very important to the ASI Board and management team to set priorities and allocate resources. Since the last stockholder survey was sent in 2008, we want current information on what’s important to stockholders! Thanks for taking time to submit your responses to this important survey!

Note:At the end of the survey please provide your email address and cell phone number! In the digital world, this information is critical for us to reach you quickly with important company



information, and to do so by significantly reducing administrative costs. We will not use this information to look at your individual survey responses. We will only see survey data in aggregate, without specific stockholder names. You can also find a form to update your current contact information at amanasociety.com under the Shareholders tab. In addition, you can contact Bruce Trumpold at btrumpold@amanas.net or by phone at (319) 622-7526. We really appreciate your active involvement to provide feedback and information!

Stockholder Newsletters

If you prefer to receive future stockholder newsletters via email, please send an email request (with your preferred email address in the message) and send your request to: Bruce Trumpold at btrumpold@amanas.net. This newsletter will also be posted on the Amana Society corporate website www.amanasociety.com in the secure shareholder portal section.

Outlook

Our outlook for the remainder of 2020 is hopefully optimistic. Given the challenges of 2020, we have held-our-own. There are major drivers that include significant unknowns including the final harvest numbers for Amana Farms and the structure and timing of the Payroll Protection Plan (PPP) forgiveness. Also unknown is whether or not we see a significant second wave of the coronavirus at a time when the typical flu hits the upper-Midwest.

We continue to keep focused on positive objectives that can be good for the Amana Society going forward. We're excited about the prospects of an Amana Farms Beef product and we believe that in spite of the challenges of the hospitality industry as a whole, Hotel Millwright will be successful, especially once we get through the first quarter (winter) of 2021. We remain confident that we chose the right partner in IDM. We remain excited and are hopeful that the changes made in the Amana Furniture Shop and the Amana Woolen Mill will positively impact the organization. We also expect the Amana Meat Shop to continue to experience success.

We're confident and expect our core businesses will perform well even given the uncertainty in the economy as the nation continues to fight the COVID-19 pandemic. In spite of what we expect to be a challenging year following the pandemic, we feel we still have real opportunity as we work through the final quarter of 2020, and we look forward to 2021.

Sincerely,

Greg Luerkens
President & CEO

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