



May 2019

Dear Amana Society, Inc. Stockholder:

Introduction

The first quarter of 2019 was encouraging, especially given the brutal cold in February followed by an unseasonably cool March. Literally every business was impacted by the weather, but through much teamwork and resilience, the organization is positioned well for a successful remainder of 2019.

In spite of the cold temperatures, work continued on the renovation for the Hotel Millwright project at the Woolen Mill complex.

2019 has brought some key staffing changes as Bruce Trumpold has moved from the Furniture Shop to the Corporate Office where he will work in supporting the organization, working closely with real estate issues and shareholder services, in preparation for the retirement of Shirley Reihman in June. Bruce was succeeded by Chris Ward at the Furniture Shop. Chris brings a hands-on, people based approach that has been well received by the staff.

CEO Assessment

As the new CEO of the Amana Society, I have had an opportunity to make some initial assessments. Strengths lie in the operational and financial stability of the Farms and the Service Company, both led by strong, capable managers. Weakness exists in the retail sector of our legacy businesses, primarily the Furniture Shop and the Woolen Mill. The good news is that the Woolen Mill has begun the process of rebranding itself with new, updated products and a similar process is underway at the Furniture Shop. Our legacy businesses are crucial to what makes Amana a unique destination and success in remaking them is vital to our future.

Areas of emphasis include the rebranding discussed above and growing profitable sales across all entities. Bringing each business under the Amana Society, Inc. umbrella to a point of being self-sustaining will have a major impact on the company's bottom line and provide the resources necessary to invest in future growth opportunities without incurring debt. It's vital to develop the experiences that encourage people to choose coming to the Amana Colonies versus somewhere else and that the community and the landscape provide the basis for that.

I'm excited to work with the great people and culture that define "Amana." Tremendous opportunities exist to grow and develop our company by leveraging what we already do well in terms of agriculture

and food. The Meat Shop has potential for growth in what is an already successful business. The eventual opening of the Hotel Millwright will provide a venue for celebrations, which are a cornerstone of the Amana Colonies. Visitors will have a first-class place to stay, providing them an opportunity to experience more of what Amana has to offer. It excites me to be a part of an organization that's positioned to move forward in such a bold way.

Operating Results

This section provides a review of the 2019 first quarter operating results for the Amana Society, Inc.

	Sales		Profit (Loss) Before Tax	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Amana Society, Inc.	\$ 2,364,282	\$ 3,249,668	\$ (755,799)	\$ (701,726)
Amana Farms, Inc.	\$ 2,674,137	\$ 2,792,587	\$ 529,604	\$ 964,158
Amana Society Service Company	\$ 2,083,879	\$ 1,972,274	\$ 175,352	\$ 189,485
Total from Continuing Operations	\$ 7,122,298	\$ 8,014,529	\$ (50,843)	\$ 451,917
Community & Stockholders Expense	\$ -	\$ -	\$ (82,406)	\$ (76,160)
Total	\$ 7,122,298	\$ 8,014,529	\$ (133,249)	\$ 375,757

Amana Society General Corp

Amana Society's net operating expense of \$246,551 came in substantially less than last year at \$330,404 and lower than the budgeted \$352,203. The primary driver is a reduction in Payroll & Related cost where due to adjustments in employee group insurance, we're \$79,347 ahead of last year. With healthcare costs increasing, this is not likely to become a trend.

Retail

Retail businesses were all impacted by the extreme weather. Additionally, Easter fell on April 1 in 2018 so any shopping leading up to the holiday occurred in March or 1st quarter. In 2019, it fell on April 21, with most of the shopping leading up to the holiday in April, or 2nd quarter. Collectively, total retail sales in 2019 were \$529,635 compared to \$628,943 in 2018, for a decrease of 15.8%. Individually the changes were as follows:

General Store	-15.3%
Little Red Wagon	-16.3%
Woolen Mill	-18.0%
Furniture Shop	-26.4%

The numbers highlight the need to grow online sales that are not necessarily dependent on foot traffic, which is a major part of our longer term strategy.

Amana Meat Shop

The Meat Shop sales were down 5.5% to \$777,455 from \$823,387 in 2018. Again this was impacted greatly by Easter shopping falling into the 2nd quarter of 2019. Catalog sales (the driver of holiday business) totaled \$261,934, down 13.5% from the 2018 total of \$302,971.

A 2,478 square foot addition was added to the Amana Meat Shop. The addition will serve multiple purposes including additional storage space and efficiency in shipping during the heaviest times. It eliminates the need to have large trailers staged in the back side of the building, making a much safer and efficient operation as we grow catalog sales.

Amana Farms

The Farm operation was steady year over year. From the crops side of the business, first quarter is typically the time to prepare and get ready for the planting season, ensuring equipment is ready to go. The brutal cold weather and heavy snow cover made it difficult but overall the Farm team rose to the occasion. Crop sales totaled \$2.16 million, on par with the 2018 total of \$2.21 million.

Net income was down significantly due to the timing of the Monsanto rent payment of \$509,592. Payment was received in March of 2018, but was not received until April in 2019. Had the payment been received in March, net income would have been \$966,612 compared to \$931,828 in 2018. As it stands net income was \$457,606. *This will offset in the 2nd quarter.*

Beef sales were down to \$234,384 from \$340,370 in 2018. Due to severe flooding in Western Iowa and Eastern Nebraska, the market has been overrun with supply further reducing prices in an already depressed market.

The anaerobic digester continues to be a major asset with net income of \$152,280 compared to \$86,650 for the first quarter of 2018. Substrate Hauling continues to be steady with net income of \$116,594 compared to \$110,504 in 2018. Although these are not traditional farming operations, each provides a significant benefit as extensions to our crop and beef operations.

Overall, Farms recorded a solid first quarter in 2019, especially given the extreme weather conditions. The heavy snowfall and slow warm-up has left the soil cool and wet which has delayed planting, but not to the extent that raises any significant concerns going into 2nd quarter.

Service Company

The Service Company had a steady 1st quarter with sales of \$2.23 million compared to \$2.10 million in the first quarter of 2018. Net income was down slightly to \$175,352 from \$189,485 in 1st quarter of 2018.

With the water system improvement project being completed (with the exception of the demolition of old towers) in December, monitoring of the new system was crucial in the first quarter. The increase in water pressure combined with the impact of extreme cold highlighted leaks in various areas.

The electric division was steady and faced the same weather challenges. Temperatures were consistently below levels where diesel fuel gels. Extreme weather conditions almost always prompt Whirlpool to ask for energy from our Peak Generators that requires diesel.

Costs for the first quarter were a little high relative to revenues but definitely in line with what was required in the field given the challenges of extreme weather.

Cedar Rapids Millwork

Cedar Rapids Millwork has had a difficult start in 2019 with first quarter sales off by \$145,564 and a net loss of \$117,590, exceeding the 2018 loss by \$73,796. The overall trend has been stagnant sales and underperformance in terms of net income. The 1st quarter of 2019 magnified the challenges we face. Most new construction and remodel activity came to a virtual halt due to the extreme cold followed by wet ground. It remains to be seen whether the market catches up or if schedules simply get pushed back. We've begun some initiatives around the general culture within CR Millwork and have started to address a lack of new products to take to the market. This is a priority for 2019.

Woolen Mill Redevelopment Project

Renovation continues on schedule at the site of the soon-to-be Hotel Millwright. We have a signed contract with IDM Hospitality, the company that will run the hotel. We continue to work with them to ensure we are poised for success upon officially opening near the end of the 1st quarter of 2020. The potential exists that we may be able to rent the event center as early as late summer of 2019, as it will be complete and functional for the right events.

In February we were unfortunately denied a Tax Increment Financing (TIF) property tax abatement by Iowa County. The expectation was that this would be used as matching funds for a \$400,000 Community Attraction and Tourism (CAT) grant. Losing the TIF was a blow to the project but we're confident that we will secure additional financing through the state that will count towards the matching funds necessary in securing the CAT grant.

Amana Society Website

We made great strides in updating the amanasociety.com website, positioning it to better serve the company, the employees and shareholders in the future. Functionality was updated to allow residents and shareholders to purchase trespassing permits online, making the process quick, easy and convenient. Early indications are that this has been well received and working well. Future enhancements include a shareholder portal that will provide better access to information and allow for more timely communications. An employee portal is also part of the new site and will provide Amana Society, Inc. employees better access to information about benefits, training and other employee related matters.

The improved website is designed to leverage technology to better serve shareholders and employees, making the Amana Society, Inc. a better overall organization.

Dividend

The Amana Society Board of Directors approved a dividend of \$3.50 per share for Prior Distributive shares and \$0.50 per share for Class "A" shares, payable no later than April 30, 2019.

Election of the Amana Society, Inc. Board of Directors

The nominating committee has put forth candidates for the three positions on the Amana Society Board of Directors. Running as incumbents are Howard Hagen, Kirby Schaffer and Mike Schanz. Peter Hoehnle is running as a non-incumbent candidate.

The election will be held on Monday, May 20, 2019. Absentee ballots were mailed to all shareholders in April, with instructions on how to vote and when the ballots need to be turned in.

Outlook

The outlook for the Amana Society is optimistic. Net income in traditional agribusiness is exceeding budget, and non-traditional agribusiness is well ahead of budget positioning Farms favorably going into the planting season. Assuming reasonable weather conditions going forward, we anticipate a successful 2019 for Farms.

The Service Company net income is slightly ahead of budget and is anticipated to be stable throughout 2019.

Although currently underperforming in sales, the retail businesses including the Meat Shop are collectively on budget in terms of net income. We believe that the General Store and Little Red Wagon will continue to meet budget expectations. The Woolen Mill has made some gains with its rebranding and a similar rebranding exercise is underway that we believe will dramatically improve the Furniture Shop. Every dollar of loss that we can reduce in these businesses goes straight to the bottom line. We feel we have the right strategies and people in place to begin making incremental gains.

The sale of the Pharmacy business is expected to improve the bottom line by approximately \$200,000 annually, beginning in 2020. The Amana Society relies on CR Millwork for cash flow, but its recent performance is being analyzed for improvement.

We have budgeted Amana Society, Inc. Pre-Tax Net Income at \$1.231 million for 2019 and although aggressive, we believe it realistic.

The management and staff at the Amana Society, Inc. want to say thanks to all of our shareholders for your continued support and welcome any input or questions.

Sincerely,



Greg Luerkens
President & CEO

