

Greetings Fellow Shareholder,

On behalf of myself and your PNM Resources leadership team, thank you for your support and trust throughout this past year. As you know, our industry continues to evolve to meet the changing expectations of our customers and stakeholders. Through PNM and TNMP, we aim to meet those expectations and deliver results while staying true to our responsibility to deliver safe, reliable, affordable, and environmentally friendly energy. As a part of our work, we have continued to incorporate sustainability into our culture and decision-making while supporting the economic vitality and quality of life in our communities.

Together, we are in an exciting time for PNM Resources. While reading this letter, you will see the incredible work our employees are doing to move us forward with plans to be coal-free and ultimately emissions-free. Our path toward coal-free includes the shut-down of the remaining two San Juan Generating Station units in 2022 as well as exiting our ownership in Four Corners Power Plant in 2031. In March 2019, the Energy Transition Act was enacted in New Mexico that transforms the state to 100% carbon-free energy by 2045 and provides for securitization as a lower-cost means of reinvestment in the business. This builds upon the successes of 2018 and supports our vision for a clean and bright energy future at PNM Resources.

### 2018 WAS A GOOD YEAR

As we move forward, we are in a strong position at both PNM and TNMP. Last year was marked by load growth at both of our utilities, infrastructure investments, improvements in reliability and growing customer demand. In Texas, expansion continues at an unprecedented pace. We are strategically deploying capital to manage the transmission and distribution systems that serve over 253,000 of TNMP's new and existing end-use customers. In New Mexico, economic development efforts began to pay off with positive load growth. PNM successfully met that growth while expanding environmentally friendly energy in the state and ending the year with 34% emissions-free generation in its resource portfolio.

### PNM HIGHLIGHTS

PNM began the year by modifying the general rate review settlement in early 2018 to incorporate tax reform savings into rates. This extensive work involved regulatory approval of our settlement while incorporating federal tax reform into our 2017 results and 2018 expectations. PNM was the first utility in the nation to begin returning those savings to customers.

While customers reaped financial savings due to the tax reform, they also experienced consistent reliability in their homes and businesses. We became the first utility in the world to install industry-leading transmission relay equipment on the PNM grid to more quickly identify and restore power after outages. This reduces cost of maintenance to those lines and, combined with installation of new transmission and distribution outage management systems, greatly improves the customer experience.

Enhanced grid reliability and increased infrastructure positions PNM to better serve our customers. Our service territory has experienced a positive retail load growth for the first time in several years. The local economy has seen ongoing improvements with steady job growth and numerous economic projects announced during the year.

One example of the economic growth in New Mexico was the completion of the first building of the Facebook Data Center in Los Lunas, NM. That building became operational during the year and construction on the remaining buildings continues. We deliver a significant amount of renewable energy and backup generation to the site. To support the additional infrastructure under construction, PNM announced the addition of another 100 megawatts of solar through New Mexico Renewable Development, a partially owned subsidiary of the company.

Solar and wind resources are abundant in New Mexico and customers beyond the state are seeking opportunities to capitalize on renewables. Financial results in 2018 reflect substantial growth from FERC-regulated transmission investments as third parties look to export these resources across our grid to other areas of the country. As more states move to incorporate clean energy standards, we expect transmission growth to continue.

PNM will continue to invest in infrastructure to meet these increased transmission expectations all while moving toward an emissions-free portfolio. Getting to zero emissions involves ensuring we have transmission capabilities to move renewable power from the source to the customer as well as eliminating our use of coal-fired generation and replacing it with reliable alternatives.

An important element of moving toward emissions-free included the submittal of a compliance filing in 2018 to the New Mexico Public Regulation Commission. This filing stated that PNM does not intend to produce or purchase any power from the coal-fired San Juan Generating Station after 2022. This along with our exit of the Four Corners Generating Station in 2031 will enable PNM to achieve 70% emissions-free generation by 2032 and 87% by 2040, laying the groundwork toward achieving 100% by 2045 as mandated in the Energy Transition Act (ETA).

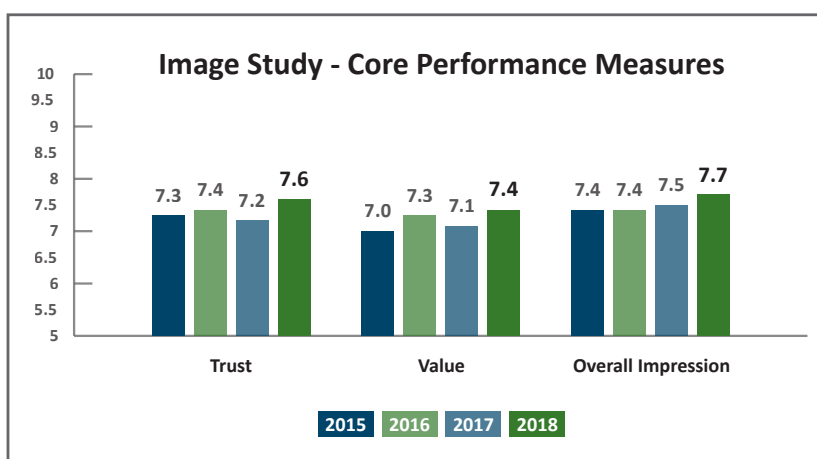


Pat Vincent-Collawn

In addition to an emissions-free mandate, the ETA requires regulators and utilities to prioritize reinvestments to address the economic impact to the affected communities. The new law gives PNM the ability to securitize the costs related to the planned retirements of San Juan Generating Station and the Four Corners Generating Station. This in turn will provide long-term savings to customers and enable the reinvestment of capital into infrastructure and cutting-edge technology. We are finding that cost-effective battery storage is rapidly evolving, and we expect it may play an important role in our transition. The modernization of our electric grid, which is already in the planning stages, is also key to meeting 100% emissions-free.

Another important legislative initiative that took place in 2019 was the New Mexico Public Regulation Commission Reform Act (Act), which passed the New Mexico legislature and now moves on to the voting public. This Act is in response to the increasing complexity of the utility industry and would create a quasi-judicial body comprised of individuals with strong professional qualifications who are experts in their field. If voters approve the Act in 2020, the NM Public Regulation Commission would become a three-member Governor-appointed and Senate-approved commission focused solely on utilities.

To close on the year for PNM, I would be remiss not to point out our employees' tremendous work on connecting to our customers. During the past four years, we have made excellent progress in building a strong customer focus throughout all areas of the company. The hard work of our employees is paying off. The PNM Image Study saw new all-time highs for each of our three core measures – Trust, Value, and Overall Impression – based on our November 2018 data. We believe these gains are largely due to our employees in the community, the goodwill generated by the PNM renewables campaign and our strong reliability.



### TNMP HIGHLIGHTS

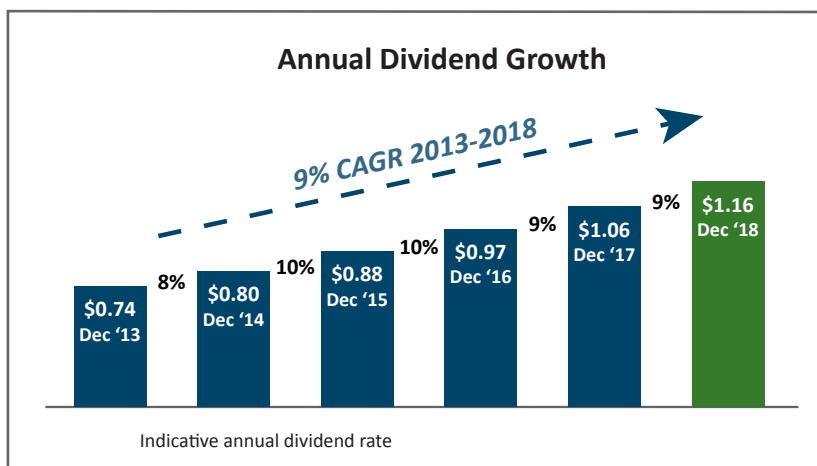
In Texas we successfully completed a general rate review that reset rates to reflect investments across the TNMP transmission and distribution businesses. The Public Utility Commission of Texas approved a settlement in December 2018, and the new rates went into effect in January 2019. The new rates position the company for continued growth as demand for transmission services steadily increase and the economy continues to expand. In March 2019, TNMP also received approval for a \$14.3 million Transmission Cost of Service filing to recover the subsequent transmission investments made in 2018.

In 2018, we allocated additional capital to support ten new large transmission customers in West Texas and to improve and upgrade transmission systems, resulting in a nearly 50% increase in planned annual capital investments versus the prior five-year investment plan. Automated meters have been fully implemented across our service territory, and we are recognizing the benefits of the associated outage management system. We continue to seek to modernize the TNMP grid to accommodate new and growing customers reliably.

I am proud of each and every one of our TNMP employees who provide exceptional service to our customers and remain committed to the communities we serve.

### SHAREHOLDER RETURNS

As I wrote earlier, our responsibility at PNM and TNMP is to provide safe, reliable, affordable and environmentally friendly energy to our customers. Additionally, it is our responsibility to provide a competitive return to our shareholders. In December the PNM Resources Board of Directors voted to increase our annual dividend payment by 9%, bringing the expected payout ratio to 54% of the 2019 ongoing earnings guidance midpoint of \$2.14. The dividend remains consistent with our target to pay out 50% to 60% of annual ongoing earnings.

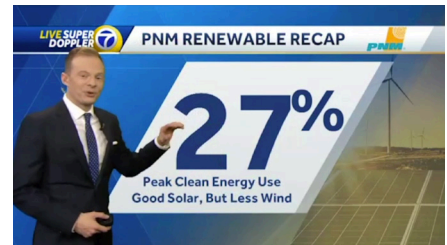


### OUR COMMUNITY STORY

PNM and TNMP employees continue to deliver on our commitment to put our customers first, and their dedication to authentic customer service is the reason that we are recognized as valued partners in our communities. In 2018, PNM Resources, PNM, TNMP and our Foundation donated more than \$3 million to our communities. Additionally, our employees and retirees collectively volunteered more than 11,500 hours, supporting more than 250 organizations. Being a strong community partner is a part of our corporate DNA and is demonstrated at all levels of the organization.

### OUR SUSTAINABILITY STORY

At the end of 2018, we launched a new customer-facing website called “Our Sustainability Story” ([www.pnmfornewmexico.com](http://www.pnmfornewmexico.com)) to showcase our work in energy efficiency, renewable energy, reduction of waste and emissions, conservation and preservation, and community, employee, and tribal engagement.



- PNM is proud to have New Mexico’s most watched and ABC affiliate, KOAT-TV, as our media partner for the “PNM Renewable Recap” to help us share the good news about what our company is doing in the renewable energy sector. Trusted long-time weather personalities include the PNM daily high renewable energy mark in their nightly weather report Monday through Friday. The PNM logo is accompanied by a camera on the top of our headquarters and audio stating that “Your Renewable Energy Recap is brought to you by PNM.” I encourage you to watch the recap promotional commercial, the actual recap during the weather report, and “Our Together for New Mexico” commercial at <http://bit.ly/pnm-renewable-recap>.

The year also included the redesign of the “PNM Resources Sustainability Portal,” which you are likely familiar with already (<http://www.pnmresources.com/about-us/sustainability-portal.aspx>). The redesigned site allows you to download real-time information in a PDF.

Together, these initiatives outline our commitment to a sustainable future across all of our service territories.

No element of sustainability is more important than the work PNM is doing to reduce emissions. By the end of 2018, 34% of our generation resources were emissions-free, moving us forward toward our goal of 70% emissions-free by 2032 and 100% emissions-free by 2045.

PNM Resources is in a period of growth and transformation. The environment in which we work has changed, and we are moving the industry forward to better serve our customers. I am privileged to work with the best employees in the industry. Together, we will bring a more sustainable future while keeping the lights on for our customers and providing a valuable return on your investment.

Sincerely,

Pat Vincent-Collawn  
Chairman, President, and CEO

### Protecting the Environment, Conserving Resources and Rewarding Customers

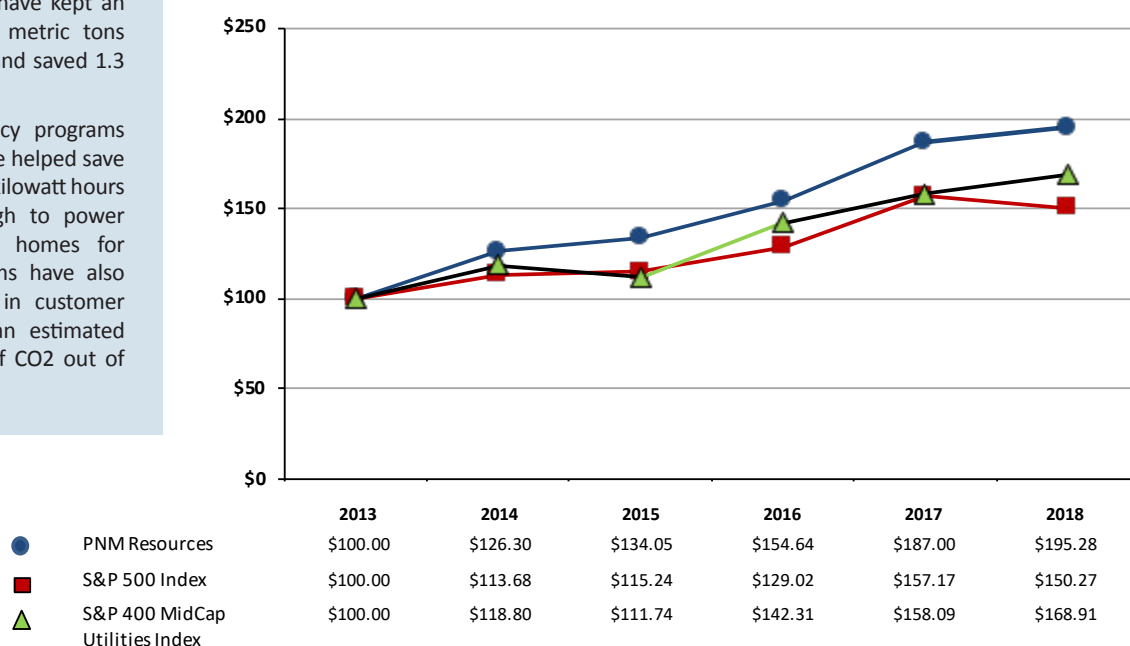
- PNM began its energy efficiency programs in 2007. These programs have provided more than \$88 million in customer rebates and helped save almost 3.8 billion kilowatt hours of electricity – enough to power approximately 562,225 homes for a year. These programs have kept an estimated 2.3 million metric tons of CO<sub>2</sub> out of the air and saved 1.3 billion gallons of water
- TNMP energy efficiency programs began in 2002 and have helped save more than 177 million kilowatt hours of electricity – enough to power approximately 21,850 homes for a year. These programs have also provided \$29 million in customer incentives and kept an estimated 125,300 metric tons of CO<sub>2</sub> out of the air.

### PNM RESOURCES, INC. AND SUBSIDIARIES

PNM Resources is an investor-owned holding company of two electric utilities, PNM and TNMP. PNM is a regulated utility in New Mexico with operations primarily engaged in the generation, transmission and distribution of electricity. TNMP is a regulated utility operating in Texas, providing transmission and distribution services.

The graph below assumes that \$100 was invested on December 31, 2013, in PNM Resources common stock, the S&P 500 Stock Index and the S&P Midcap 400 Utilities Index, and all dividends were reinvested.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN



Data Source: Bloomberg.

Historical performance does not necessarily predict future results. PNM Resources' common stock is traded on the NYSE.

### Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Statements made in this news release for PNM Resources, Inc. ("PNMR"), Public Service Company of New Mexico ("PNM"), or Texas-New Mexico Power Company ("TNMP") (collectively, the "Company") that relate to future events or expectations, projections, estimates, intentions, goals, targets, and strategies are made pursuant to the Private Securities Litigation Reform Act of 1995. Readers are cautioned that all forward-looking statements are based upon current expectations and estimates. PNMR, PNM, and TNMP assume no obligation to update this information. Because actual results may differ materially from those expressed or implied by these forward-looking statements, PNMR, PNM, and TNMP caution readers not to place undue reliance on these statements. PNMR's, PNM's, and TNMP's business, financial condition, cash flow, and operating results are influenced by many factors, which are often beyond their control, that can cause actual results to differ from those expressed or implied by the forward-looking statements. For a discussion of risk factors and other important factors affecting forward-looking statements, please see the Company's Form 10-K and Form 10-Q filings with the Securities and Exchange Commission, which factors are specifically incorporated by reference herein.