PNM Resources

2005 Summary Annual Report

CONTENTS

INVESTOR HIGHLIGHTS

In thousands, except per share amounts and ratios

	2005	2004	PERCENTAGE CHANGE	ANNUALIZED GROWTH RATE SINCE 2002
Financial Data				
Operating Revenues	$2,076,810	$1,604,792	29.4%	22.9%
Operating Expenses	$1,939,441	$1,491,894	30.0%	24.0%
Net Earnings Available for Common Stock	$67,227	$87,686	(23.3)%	1.8%
Retained Earnings	$564,623	$550,566	2.6%	8.3%
Common Share Data				
Earnings *(Diluted)* per Share as Reported	$1.00	$1.43	(30.1)%	(2.2)%
Earnings *(Diluted)* per Share Ongoing(1)	$1.56	$1.43	9.1%	8.8%
Book Value per Share	$19.51	$18.20	7.2%	5.5%
Dividends Paid per Share	$0.77	$0.63	22.2%	10.5%
Market Price per Share *(Post 3-for-2 Stock Split June 2004)*:				
High	$30.45	$26.11	16.6%	14.1%
Low	$23.83	$18.70	27.4%	27.5%
Close at Year-End	$24.49	$25.29	(3.2)%	15.5%
Average Shares Outstanding *(Basic)*	65,928	60,414	9.1%	4.0%
Financial Ratios				
Market-to-Book Ratio at Year-End	1.26	1.39	(9.7)%	9.5%
Price Earnings Ratio at Year-End	24.01	17.44	37.7%	18.1%
Return on Average Common Equity	5.64%	8.07%	(30.1)%	(4.1)%
Dividend Yield on Market Price at Year-End	3.14%	2.49%	26.2%	(4.3)%

(1) Reconciliation of GAAP to ongoing earnings per share:
2005 diluted on-going earnings of $1.56 were reduced by adjustments for acquisition integration costs of $0.15, turbine write-down of $0.13, equity-linked units of $0.11, refinancing of $0.10, software write-off of $0.04, regulatory costs associated with the NMPRC's approval of the TNP acquisition of $0.02, and cumulative effect of a change in accounting principle of $0.01 resulting in a 2005 GAAP diluted EPS of $1.00.

There were no non-recurring charges in 2004.

2003 diluted on-going earnings of $1.30 were reduced by adjustments for refinancing of $0.16, transition costs write-off of $0.16, reorganization costs of $0.01 and increased by cumulative effect of changes in accounting principles of $0.61 resulting in a 2003 GAAP diluted EPS of $1.58.

2002 diluted on-going earnings of $1.21 were reduced by adjustments for reorganization costs of $0.09, transmission line project write-off of $0.05, and severance costs of $0.02 and increased by Western Resources acquisition and legal costs of $0.02 resulting in a 2002 GAAP diluted EPS of $1.07.

PNM Resources is aligned within three organizations: Energy Resources, Customer and Delivery Services, and First Choice Power.

Ours is a story of generation and distribution. Electricity and natural gas. Supply and demand. Regulated and unregulated. Profitability and accountability. More recently, New Mexico and Texas. It's a story of complementary products and synergistic strategies. It's a story about where we've been and where we're going.

It's a story about the *power of two*.

Energy Resources. In many ways, our Energy Resources organization is the backbone of the company, responsible for supplying electricity to wholesale and retail customers from Texas to Southern California. Electricity delivered to customers is generated either by power plants that are included in our regulated rate base or by unregulated merchant plants, which generate power that is sold in wholesale markets throughout the Southwest.

Senior Vice President Hugh Smith oversees both unregulated and regulated generation, manages more than 2,300 megawatts of power and ensures our generating plants maintain the highest level of environmental responsibility.

Our regulated and unregulated power plants work together in a way that exemplifies the advantage of the *Power of Two*. Smith and his team sell excess generation from jurisdictional plants to wholesale customers. For years, that approach has helped keep retail electric rates low because retail customers have benefited from reduced rates through excess generation sales. Today the company is working to expand our generation capabilities to serve New Mexico's and Texas' growing retail needs and wholesale customers.

"For the first time in 20 years, we are faced with having to expand our generation fleet to meet our retail demand," Smith says. "In addition, we will increase our wholesale-merchant fleet by nearly 500 megawatts this year. We are adding generation in a thoughtful and deliberate manner that makes sense for customers, shareholders, the company and the environment."

Moving toward that goal, PNM Resources is expanding the Afton Generating Facility near Las Cruces, N.M., and converting it into a more-efficient unit that will use less freshwater per megawatt-hour than any plant in our fleet. The Afton expansion is the first step of increasing our jurisdictional generation portfolio in an environmentally friendly manner.

As part of the company's merchant plant expansion, PNM Resources is purchasing one of Texas' cleanest coal-fired power plants, the 305-megawatt Twin Oaks Power facility south of Dallas.

Hugh Smith, *Senior Vice President, Energy Resources*

The plant provides lower-cost coal generation in a market that largely is driven by natural gas prices. Before summer, we also expect the Luna Energy Facility near Deming, N.M., to be at full capacity, adding 190 megawatts of gas-fired energy to our merchant portfolio.

"Because we are positioned in the center of the growing Southwest, we have a natural market for additional wholesale power sales," Smith says.

Our merchant generation growth is grounded in our successful approach to target long-term sales to other energy providers throughout the Southwest. A 10-year, 150-megawatt agreement signed in 2005 with Arizona's largest utility demonstrates execution of our strategy.

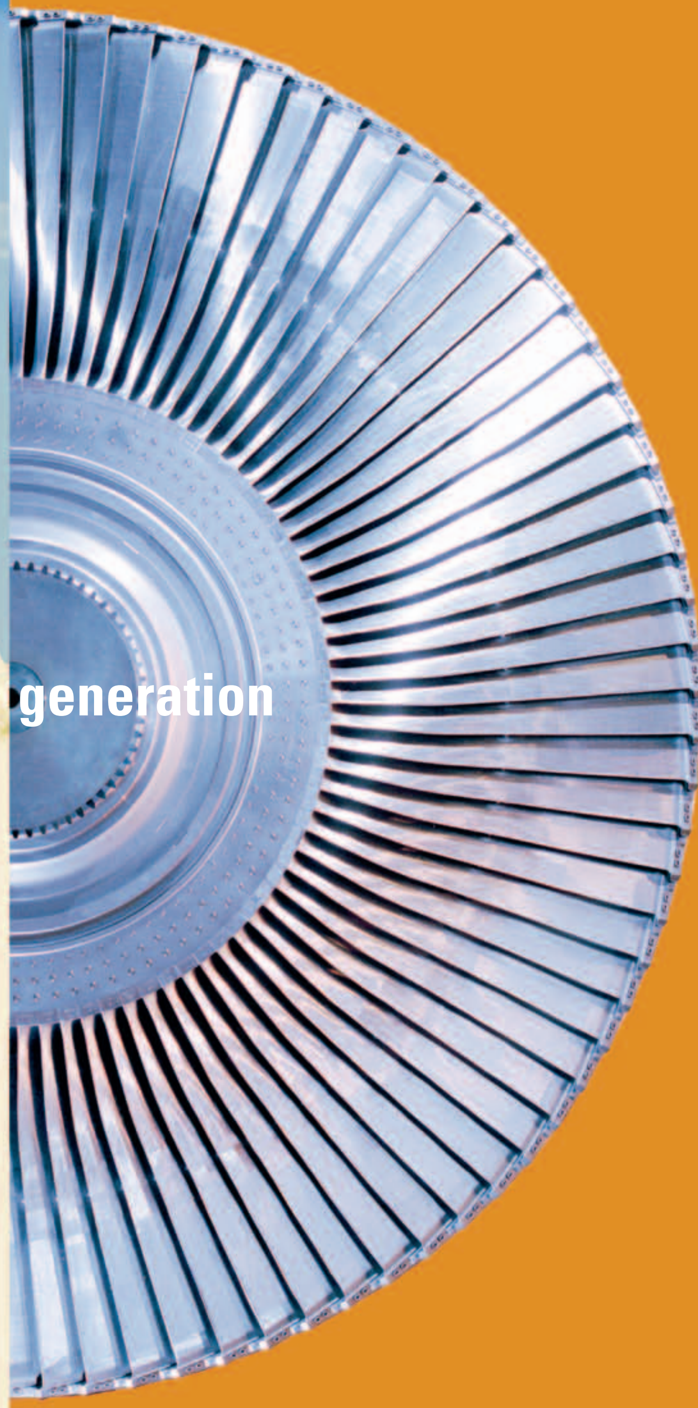
Record Performance

The PNM San Juan Generating Station had its best back-to-back performance years in 2004 and 2005, placing it just below the nation's top 10 percent of similar-sized coal plants.

ENVIRONMENTAL LEADERSHIP

We are carefully balancing the growth of our generation portfolio with our self-imposed goal to be a leader in environmental stewardship.

green generation



Our 2006 generation expansion plans include adding 500 megawatts of power, more than one-third of which will be fueled by natural gas.

During 2005 our companies invested more than $140 million in our gas and electric operations to ensure reliable service to our 744,000 electric and 478,000 gas customers.

Customer and Delivery Services. The acquisition of TNP Enterprises provided us the opportunity to pull together utility operations to create an organization that spans two states and provides customer-focused service. Headed by Senior Vice President Doug Hobbs, the Customer and Delivery Services organization is comprised of PNM electric transmission and distribution and natural gas operations in New Mexico and Texas-New Mexico Power's electric business in both states.

TNMP's electric operations differ in scope in Texas than in New Mexico. In Texas' competitive electric market, TNMP is a transmission and distribution company, delivering electricity to residents and businesses on behalf of a host of Retail Energy Providers, including First Choice Power. In New Mexico, TNMP is a traditional, integrated electric utility – like PNM – serving several southern New Mexico communities. In 2007, we will combine the TNMP-New Mexico electric operations with the PNM utility businesses. Bringing operations together in New Mexico also provides opportunities to streamline operations, increase buying power and leverage existing gas services in communities such as Silver City and Alamogordo.

Doug Hobbs, *Senior Vice President, Customer and Delivery Services; President and CEO, TNMP*

20,000 energy savings kits

An aggressive marketing campaign informed consumers about increased natural gas prices and distributed more than 20,000 home weatherization kits.

Both PNM and TNMP possess similar resumes of top performance in electric reliability, consistently finishing among the nation's most reliable utilities.

"But we're not stopping there," says Hobbs, who also serves as president and CEO of TNMP. "While we work to combine the New Mexico electric operations, our expectations are to continue to provide top customer service and reliability. We thoroughly believe in the *Power of Two* companies to reduce costs, improve operations and build stronger organizations."

As an example, Hobbs points to one of his organization's projects for this year: the integration of the TNMP-Texas call center into PNM's call center to leverage existing technologies and better achieve synergy savings.

"Combining our customer service approaches also will lead to continued improvement of customer satisfaction scores," Hobbs says.

A glimpse of the consolidation occurred in September in the hours before Hurricane Rita hit the Gulf Coast. Because TNMP customer service phone representatives were forced to evacuate the area, our technicians seamlessly transferred 8,000 calls from suburban Houston to PNM's Albuquerque headquarters. By the time Rita tore through the area, the Albuquerque call center had the information it needed to quickly guide TNMP crews to the hardest hit areas.

The *Power of Two* not only means better service, it also means more efficiency. Organizing our two delivery utilities under the same leadership umbrella results in more buying power for the company. That is why PNM Resources developed a new supply chain organization focused on attaining cost savings through purchasing. From cell phones to power poles and from fleet vehicles to electric transformers, our supply chain group is finding ways to benefit from a consolidated purchasing strategy and provide those savings to customers and shareholders.

Like Energy Resources, Customer and Delivery Services is planning for continued growth. Texas Gulf Coast communities such as Texas City, League City and Friendswood are growing as destination locations for retirees and young families. In New Mexico, Rio Rancho is growing at a pace that will make it larger than Santa Fe in just a few years, designating it as the state's third-largest city. The development of these communities and others ensures an expanded customer base that will increase revenues. The key to transforming revenues to earnings, however, is capturing economies of scale innate in the *Power of Two* philosophy.

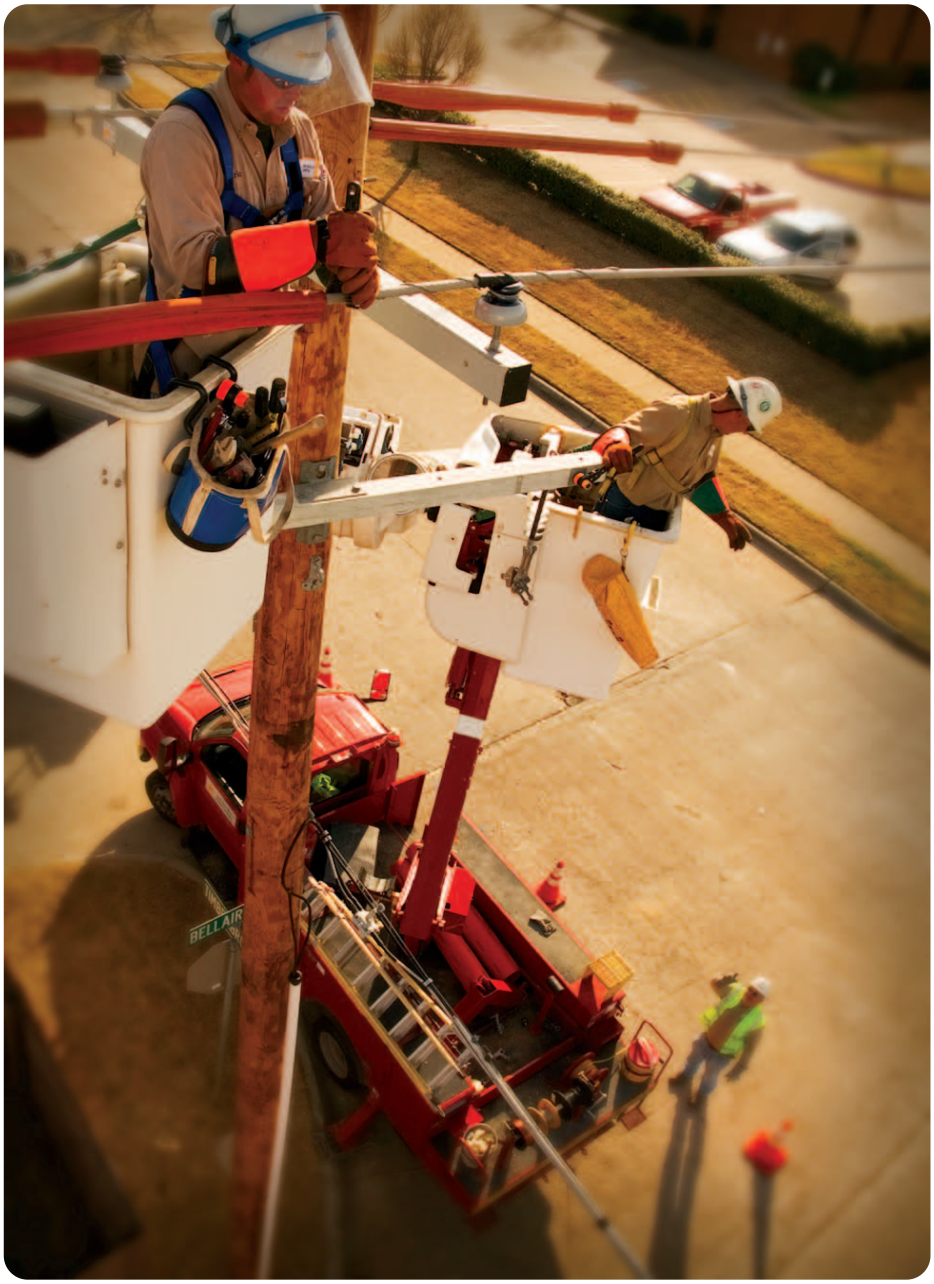
Operationally in 2005, PNM and TNMP invested $101 million in our electric operations infrastructure, including upgrading and expanding our 23,000 miles of transmission and distribution lines in both states. Meanwhile, electric rates for both PNM and TNMP New Mexico customers decreased. PNM customers received a $14 million annual rate cut in September while TNMP customers welcomed the first step of a three-phase rate decrease - another benefit of the acquisition – that will lower delivery rates 15 percent during the next five years. However, the company's ability to provide lower rates is being impacted by a variety of factors. Keeping pace with growth, rising operational costs and additional investment in our system will require future rates that ensure a fair return and allow the company to recover its costs. The same is true for our gas operations.

Hurricane Relief

Nearly 85 TNMP and PNM linemen spent weeks in the Gulf Coast helping communities recover from the aftermaths of Hurricanes Katrina, Rita and Wilma.

Santa Fe Junction / Espejo Natural Gas Hub, N.M.

While 2005 marked the first full year of the first gas service rate increase in more than a decade, it will need to be just that: the *first*. Last year, PNM gas operations invested more than $39 million in its infrastructure, which now stretches more than 13,700 miles across New Mexico. Continued investment in a reliable natural gas delivery system has to be balanced with a fair return on our gas operations. In addition, gas delivery rates need to be structured in a way that ensures recovery of our investments in the system while encouraging customer conservation.



Lewisville, Texas

Our customers and shareholders can be confident we aren't just relying on rate increases to offset increasing costs. We're saving money through a rigid purchasing strategy, combining operations in common communities, leveraging existing call center capabilities and implementing online transactions that enhance customer satisfaction and reduce paper billing. We will continue to bring customers and shareholders the value of the *Power of Two* to provide exceptional service and a solid return.


KILOWATTHOURS
service
smiles

First Choice Power. Four years ago, the Texas Electric Choice Act required most of the state to open its doors to competition. In much the same way consumers select long-distance providers, the new Texas electricity market allows retail customers to choose their power company.

First Choice Power was created in 2000 as the affiliated Retail Electric Provider of TNMP, inheriting those customers who did not switch electric companies. First Choice also has added customers who left other incumbent utilities and sought the benefits of competition. Led by Senior Vice President Jeff Shorter, First Choice's focus for much of 2005 was to streamline the business, become more efficient and grow at a steady, yet manageable pace.

"The key for us to succeed in this competitive market is to enhance service to customers while dramatically reducing our cost structure," says Shorter, who also serves as president of First Choice. "We are working to lower our annual per customer costs by 50 percent during the next few years." To accomplish that goal, Shorter and his team looked to the *Power of Two*.

In late 2005, First Choice's knowledge and ability to navigate the complex Texas competitive market was combined with Alliance Data's customer care expertise to bring a whole new level of service to customers. During 2006, the Dallas-based company will begin providing full-service customer care solutions to First Choice's 210,000-plus residential and business customers throughout Texas. The outsourcing of its customer care functions provides a scalable platform for First Choice to grow its business more efficiently.

"Our affiliation eliminates the need for First Choice to invest about $10 million in technology," Shorter says. "It also immediately provides us with enhanced Web-based services to enroll customers."

The arrangement is expected to reduce customer care expenses by at least $50 million during the next seven years.

More importantly, this new *Power of Two* positions First Choice for growth at a time when the Texas competitive market is on the verge of undergoing monumental changes. Price-to-beat rates expire in January 2007. Those rates were set by Texas regulators for affiliated providers, such as First Choice, as the rate to initially charge customers for electric service. Just how the rate expiration will change the Texas market is unknown.

Shorter is preparing First Choice for this changing market. Through its efforts to reduce costs and enhance customer service, First Choice is poised to expand its customer base and provide PNM Resources with a strong earnings stream and potential for solid growth.

210,000 customers

With more than 210,000 customers, First Choice Power is the fourth-largest Retail Electric Provider competing in Texas' deregulated market.

Jeff Shorter, *Senior Vice President, PNM Resources; President, First Choice Power*

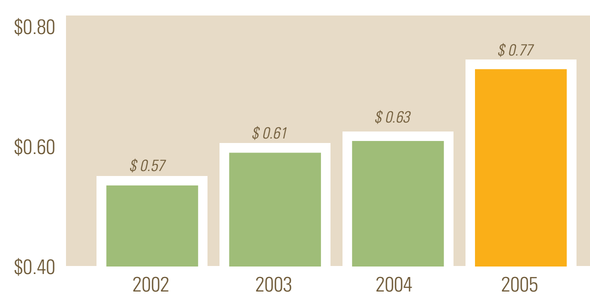
Jeff Sterba, *Chairman, President and CEO*

Dear Fellow Shareholder:

A year ago I wrote to you about our plans to grow your company in a careful and methodical way. During 2005, we accomplished a significant step in doing just that by successfully integrating TNP Enterprises into the PNM Resources family. The acquisition represents the *Power of Two* companies with rich traditions of providing quality service to customers and value to investors coming together to create a stronger PNM Resources.

Today, the combination of the companies results in PNM Resources being more diverse in terms of earnings potential, service territories and customer-usage patterns. We're also more stable and resilient to overcome volatility and unpredictability inherent in our industry. We're financially stronger today and better positioned for long-term success. In essence, we have the *Power of Two* companies committed to succeed and support our vision to *Build America's Best Merchant Utility*.

Dividends Paid per Common Share



Chairman's Letter To Shareholders

2005 in Review

The *Power of Two* companies was demonstrated immediately after the acquisition when TNP Enterprises' subsidiaries, Texas-New Mexico Power and First Choice Power, provided an earnings stream that offset the impact of higher purchased power costs, which were a result of several plant outages and higher natural gas prices. Those two companies' contributions enabled us to exceed our 5 percent to 6 percent earnings growth target for the third consecutive year. Ongoing earnings, excluding non-recurring charges, were $1.56 per diluted share, compared with $1.43 a year ago, an increase of 9.1 percent. GAAP diluted earnings per share of common stock were $1.00 in 2005, compared with $1.43 in 2004. In addition, our Board of Directors approved increases in the company's common stock dividend in 2005 and early 2006, providing shareholders with an indicated annual dividend rate of $0.88 per share.

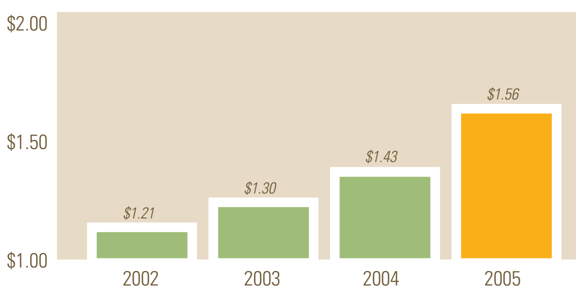
2005 was a successful year for PNM Resources and its subsidiaries, not all of which is reflected in 2005 financial results. For example, we secured all the necessary state and federal regulatory approvals ahead of schedule to close the TNP Enterprises acquisition, which is expected to result in a host of shareholder and customer benefits. Already, we have passed acquisition savings in the form of rate reductions to PNM and TNMP customers. For shareholders, the transaction – as promised – will be at least 10 percent accretive to earnings and 20 percent accretive to free cash flow in the first full year.

Shortly after this annual report is distributed, we expect to close the purchase of one of Texas' cleanest coal-burning power plants, the Twin Oaks Power facility. We also are completing the construction of another addition to our merchant generation fleet – the gas-fired Luna Energy Facility, near Deming, N.M. On the jurisdictional side, we are seeking regulatory approval to include the Afton Generating Station in our New Mexico rate base and convert it into an efficient combined-cycle, gas-fired facility capable of producing 235 megawatts. Through our joint-dispatch agreement with New Mexico regulators, Luna and Afton can work in harmony to provide an increased level of reliability to meet growing demand in a way that no one plant could accomplish. All three power plants also help the company meet the goals outlined in our Environmental Sustainability Policy, which creates a roadmap for PNM Resources to achieve its environmental objectives, including cutting back freshwater use and reducing emissions of greenhouse gases.

As 2005 unfolded, challenges began to arise for our industry nationally. Steel prices and interest rates rose. Natural gas prices soared to all-time highs because of increased demand, depleted supplies and the impacts of Hurricanes Katrina and Rita. Those factors further added to upward pressure on wholesale electricity prices. Regionally, unexpected and prolonged power plant outages, particularly at the Palo Verde Nuclear Generating Station, forced the company to purchase more power at higher prices. When the year ended,

Chairman's Letter To Shareholders

Ongoing Earnings per Diluted Common Share



Palo Verde had suffered its worst year of performance since 1994. We, along with other owners, are working closely with Palo Verde's operator to address issues and implement a plan that would get the plant back to the world-class performance it had for more than 10 years.

Despite having our resolve tested by external pressures, we continued to remain focused on customer service, even outside our service territories.

From working to maintain our customers' confidence by keeping the phones answered during Hurricane Rita, to the eagerness to help neighbors in the aftermaths of three monumental storms, our employees' commitment to service and humanitarian spirit could not be broken. In the weeks after the storms, PNM and TNMP linemen spent weeks in the Gulf Coast helping communities recover from the devastation left behind by Hurricanes Katrina, Rita and Wilma.

Success in the Future

While the outlook for the next few years includes periods of continued commodity price volatility, inflation pressures and – perhaps – unusual weather patterns, the future also provides PNM Resources and our employees additional opportunities to meet these challenges. Not only will we weather future storms, but we also will continue to position the company to be flexible and prepared. We've said many times that our efforts are focused on implementing our strategy for long-term success. Our vision to *Build America's Best Merchant Utility* continues to guide our business decisions and direction. Its implementation isn't measured in one year or even two or three years. The vision presents a long-term approach of balancing the stable earnings of regulated operations with the unregulated earnings potential of competitive markets. It is this balance – the *Power of Two* business platforms of regulated and unregulated operations – that delivers stability and growth.

Success in the future also is tied to our rate structure. While PNM and TNMP customers have benefited from recent rate reductions, your company continues to invest millions of dollars annually to maintain, expand and improve our electric and gas infrastructure. But the trend for decreasing electric rates is, unfortunately, over for now. We need to align rates more closely with costs in order for PNM and TNMP to remain financially sound and provide the level of reliable service customers have come to expect. We are committed to find ways to maintain our rates below national and regional averages, even as costs to provide electricity increase. Customers can be confident we will continue to streamline our operations, work smarter and more efficiently and maintain our customer-service promise. Shareholders can be assured we will seek a fair return on our investments and strive to meet our earnings-growth goals.

Clearly, our future success also has ties to environmental stewardship and regulatory action. Today's environmental regulation creates an atmosphere of uncertainty and inefficiency, resulting in increased costs. Regulation addressing global climate change, for example, must provide some level of certainty regarding future supply options. It also should balance costs and economic impacts while protecting our environment for future generations.

PNM Resources is committed not only to do what's required, but also to lead the industry to explore and implement technologies that improve the environment in a way that makes sense for our customers, shareholders and our company.

Our successes as a company over the years are a result of our dedicated employees. They also are a reflection of the sound guidance and expertise our Board of Directors has provided over the years. I want to express my gratitude to our Board and to Director Bob Armstrong, who will retire in 2006 after serving since 1991. During his tenure, Bob has seen the company through financial challenges, monumental landscape changes in the energy markets and a complete federal regulatory restructuring of our industry. I am sincerely grateful for his support and leadership the past 15 years. While we bid farewell to Bob, we also welcome Woody Hunt and Charles McMahen, both of whom joined the PNM Resources Board of Directors in 2005 and already have provided invaluable contributions.

Moving forward, together we will aim to anticipate trends and regulatory movements, while seeking measured ways to expand our earnings base and continue providing our customers with excellent service. We will hold steadfast to our vision to *Build America's Best Merchant Utility*. Our approach has served us well in the past, and we expect it to serve us well in the future. Our efforts will provide the fortitude to take on the challenges of the coming years. After all, we have the *Power of Two* on our side.

Jeff Sterba
Chairman, President & CEO

Board of Directors










Adelmo E. Archuleta
President and CEO of Molzen-Corbin & Assoc.,
Age 55
Director since 2003
▲ ●

Jeffry E. Sterba
Chairman, President and CEO of PNM Resources,
Age 51
Director since 2000

Joan B. Woodard, Ph.D.
Exec. Vice President and Deputy Director of Nuclear Weapons Program for Sandia National Laboratories,
Age 53, *Director since 2003*
◆ ■

Robert G. Armstrong
President of Armstrong Energy Corporation,
Age 59
Director since 1991
▲ ■

Bonnie S. Reitz
Owner/Founder, InsideOut…Culture to Customer, Age 53
Director since 2002
● ■

Julie A. Dobson
Chairman of Telebright Corporation,
Age 49
Director since 2002
▲ ◆

Robert M. Price
President of PSV Inc.
Age 75
Director since 1992
● ◆ ■

Woody L. Hunt
CEO of Hunt Building Co.Ltd. and Affiliated Companies,
Age 60
Director since 2005
▲ ◆

Charles E. McMahen
Retired Officer of Compass Bank,
Age 66
Director since 2005
▲ ●

Manuel T. Pacheco, Ph.D.
President Emeritus, University of Missouri System, Age 64
Director since 2001
● ■

▲ **Audit and Ethics Committee**
● **Human Resource and Compensation Committee**
◆ **Finance Committee**
■ **Governance and Public Policy Committee**

Equivalent Availability Factors

San Juan Generating Station continued to lead the company's baseload generation sources in performance, having its best back-to-back years in 2004 and 2005.

Palo Verde · Four Corners · San Juan

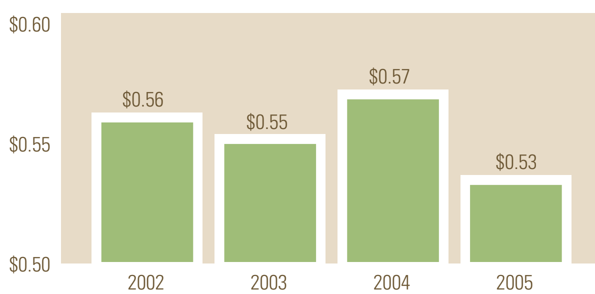
Reliability: System Average Interruption Duration Index

(1) 2005 top quartile data is not available

When measuring reliability, fewer outage minutes are better. Our customers have benefited for years from outstanding electric reliability provided by PNM and TNMP, both ranking among the nation's most-reliable utilities.

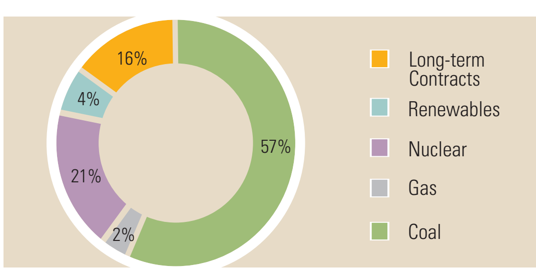
PNM · TNMP · Top Quartile

O&M per Dollar Margin



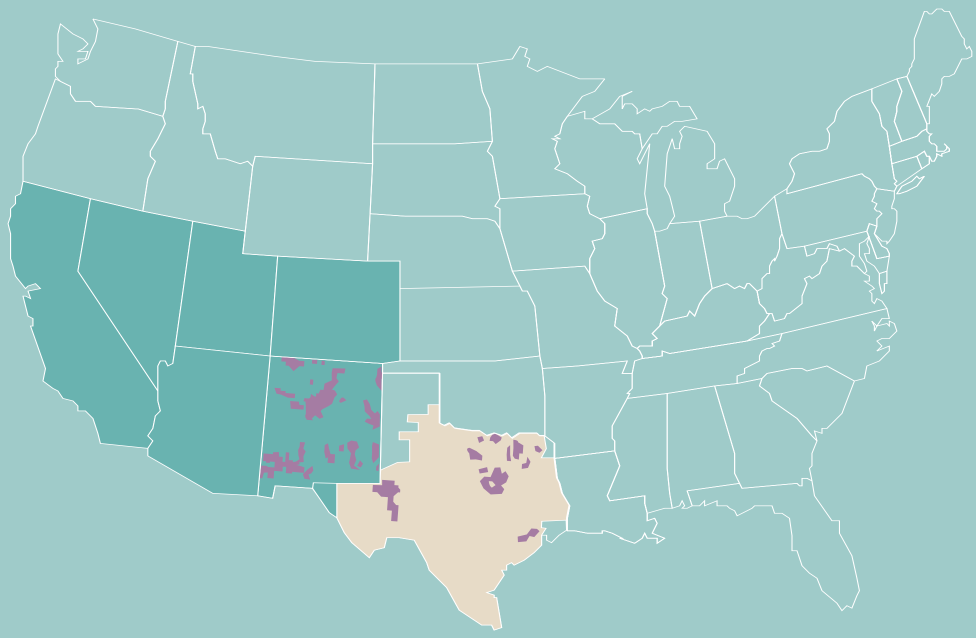
Despite rising business costs, including surging healthcare expenses, PNM Resources has consistently contained operating and maintenance expenditures.

PNM Fuel Mix (based on MWh in 2005)



Of the 12.5 million megawatt-hours of electricity produced by our resource portfolio in 2005, 78 percent was either coal- or nuclear-generated. Long-term purchase contracts and wind energy accounted for another 20 percent.

FINANCIAL REVIEW



Utility Service Areas

Southwest Wholesale Market

ERCOT Competitive Retail and Wholesale Market

On May 25, 2005, the Company submitted the required annual written certification to the NYSE to comply with Section 303A.12(a) of the NYSE Listed Company Manual. There were no qualifications to the certification. In addition, the Company has filed with the SEC, as exhibits to its Form 10-K filed on March 14, 2006, the Sarbanes-Oxley Act Section 302 certifications regarding the quality of the Company's public disclosure.

Selected Financial Data

(In thousands except generation statistics and number of employees)	2005	2004	PERCENTAGE CHANGE	ANNUALIZED GROWTH RATE SINCE 2002
Electric Regulated Operations Statistics				
Total PNM Electric and TNMP Electric MWh Sales	12,287,291	7,497,114	63.9%	18.2%
Total PNM Electric and TNMP Electric Revenues	$ 728,326	$ 558,412	30.4%	8.5%
Total PNM Electric and TNMP Electric Customers	684,225	412,024	66.1%	20.8%
Electric Unregulated Operations Statistics				
Total PNM Wholesale and First Choice MWh Sales	13,086,813	12,000,544	9.1%	11.5%
Total PNM Wholesale and First Choice Revenues	$ 944,358	$ 588,243	60.5%	40.1%
Total First Choice Customers	210,451	-	-	-
Gas Regulated Operating Statistics				
Total PNM Gas Throughput (Decatherms in thousands)	85,835	99,749	(13.9)%	(2.3)%
Total PNM Gas Revenues	$ 511,442	$ 490,921	4.2%	22.6%
Total PNM Gas Customers	478,482	468,572	2.1%	2.0%
PNM Generation Statistics				
Coincidental Peak Demand - MW	1,779	1,655	7.5%	6.4%
Average Fuel Cost per Million BTU	$ 1.4711	$ 1.3751	7.0%	1.9%
Number of Employees	3,382	2,623	28.9%	8.4%

Note: TNMP and First Choice are reported from the date of acquisition, June 6, 2005.

The customers reported above for TNMP Electric and First Choice include 150,787 customers of TNMP who have chosen First Choice as their REP. These TNMP Electric customers are also included in the First Choice segment.

Under Texas Electric Choice Act, customers of TNMP Electric in Texas can choose First Choice or any other REP to provide energy. However, TNMP Electric delivers energy to customers within its service area regardless of the REP chosen. Therefore, TNMP Electric earns revenue for energy delivery and First Choice earns revenue from the usage of that energy by its customers. The MWh reported above for TNMP Electric and First Choice include 1,644,675 MWh used by customers of TNMP Electric who have chosen First Choice as their REP.

The condensed financial statements in this summary annual report were derived from the consolidated financial statements that appear in PNM Resources' 2005 Form 10-K filed with the Securities and Exchange Commission on March 14, 2006. Copies of the Form 10-K may be obtained by calling PNM Resources' Shareholder Services Department at (800) 545-4425 or visiting PNMResources.com

The Company

PNM Resources is an investor-owned holding company of regulated and unregulated energy and energy-related companies and was incorporated in the state of New Mexico on March 3, 2000. Company management regularly reviews operating results of our three primary subsidiaries, which are Public Service Company of New Mexico and subsidiary, Texas-New Mexico Power Company and subsidiaries and First Choice Power, L.P. and subsidiaries.

PNM is an integrated public utility with regulated operations primarily engaged in the generation, transmission and distribution of electricity, and the transmission, distribution and sale of natural gas within New Mexico. PNM's unregulated operations primarily focus on the sale and marketing of electricity in the western United States.

TNMP is a regulated utility operating in Texas and New Mexico. In Texas, TNMP provides regulated transmission and distribution services. In New Mexico, TNMP provides integrated electric services that include the transmission, distribution, purchase and sale of electricity to its New Mexico customers.

First Choice is a competitive Retail Electric Provider operating in the competitive, unregulated electricity market in Texas.

In addition, we provide energy and technology-related services through our unregulated, wholly owned subsidiary, Avistar, Inc.

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

Statements made in this release that relate to future events or the Company's expectations, projections, estimates, intentions, goals, targets and strategies are made pursuant to the Private Securities Litigation Reform Act of 1995. You are cautioned that all forward-looking statements are based upon current expectations and estimates and the Company assumes no obligation to update this information. Because actual results may differ materially from those expressed or implied by these forward-looking statements, the Company cautions you not to place undue reliance on these statements. The Company's business, financial condition, cash flow and operating results are influenced by many factors, which are often beyond its control, that can cause actual results to differ from those expressed or implied by the forward looking statements. These factors include the potential unavailability of cash from TNP Enterprises, Inc. and its subsidiaries, the risks that the businesses will not be integrated successfully, the risk that the benefits of the acquisition will not be fully realized or will take longer to realize than expected, disruption from the acquisition making it more difficult to maintain relationships with customers, employees, suppliers or other third parties, the outcome of any appeals of the Public Utility Commission of Texas order in the stranded cost true-up proceeding, the ability of First Choice Power to attract and retain customers, changes in Electric Reliability Council of Texas protocols, changes in the cost of power acquired by First Choice Power, collections experience, insurance coverage available for claims made in litigation, fluctuations in interest rates, weather (including impacts on the Company of the hurricanes in the Gulf Coast region), water supply, changes in fuel costs, availability of fuel supplies, the effectiveness of risk management and commodity risk transactions, seasonality and other changes in supply and demand in the market for electric power, variability of wholesale power prices and natural gas prices, volatility and liquidity in the wholesale power markets and the natural gas markets, changes in the competitive environment in the electric and natural gas industries, the performance of generating units, including PVNGS, and transmission systems, the market for electrical generating equipment, the ability to secure long-term power sales, the risks associated with completion of the construction of the Luna Energy Facility, including construction delays and unanticipated cost overruns, state and federal regulatory and legislative decisions and actions, the outcome of legal proceedings, changes in applicable accounting principles and the performance of state, regional and national economies. For a detailed discussion of the important factors that affect the Company and that could cause actual results to differ from those expressed or implied by the Company's forward-looking statements, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's current and future Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q and the Company's current and future Current Reports on Form 8-K, filed with the SEC.

Corporate **Information**

Management's Annual Report on Internal Control Over Financial Reporting

Management of PNM Resources, Inc. and subsidiaries ("the Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended.

Management assessed the effectiveness of the Company's internal control over financial reporting based on the *Internal Control - Integrated Framework* set forth by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment performed, management concludes that the Company's internal control over financial reporting was effective as of December 31, 2005.

Management has excluded TNP Enterprises, Inc. and its subsidiaries Texas-New Mexico Power Company and First Choice Power from their report on internal control over financial reporting. The financial statements of TNP Enterprises, Inc. and its subsidiaries reflect total assets and revenues constituting 29 and 20 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2005. The Company has disclosed the material change in the Company's internal control over financial reporting due to the acquisition, which occurred June 6, 2005.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on management's assessment of internal control over financial reporting which is included herein.

Jeffry E. Sterba,
Chairman, President and
Chief Executive Officer

Charles N. Eldred
Senior Vice President and
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of PNM Resources, Inc.
Albuquerque, New Mexico

We have audited the consolidated balance sheets and consolidated statements of capitalization of PNM Resources, Inc. and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of earnings, retained earnings, comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 2005. We also have audited management's assessment of the effectiveness of the Company's internal control over financial reporting and the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. Such consolidated financial statements, management's assessment of the effectiveness of the Company's internal control over financial reporting and our reports thereon dated March 8, 2006, expressing unqualified opinions (which are not included herein) and including explanatory paragraphs regarding the adoption of Statement of Financial Accounting Standard No. 143, *Accounting for Asset Retirement Obligations*, effective January 1, 2003, Financial Accounting Standards Board Financial Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* in 2005, the change in actuarial valuation measurement date for the pension plan and other post-retirement benefits from September 30 to December 31 during 2003 and PNM Resources, Inc.'s acquisition of TNP Enterprises, Inc. in 2005, are included in the Company's Annual Report on Form 10-K. The accompanying condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on such condensed consolidated financial statements in relation to the complete consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 2005 and 2004, and the related condensed consolidated statements of earnings and of cash flows for each of the three years in the period ended December 31, 2005, is fairly stated in all material respects in relation to the basic consolidated financial statements from which it has been derived.

DELOITTE & TOUCHE LLP
Philadelphia, Pennsylvania
March 8, 2006

Condensed Consolidated Statements of Earnings

(In thousands except per share amounts)	2005	2004	2003
	YEAR ENDED DECEMBER 31,		
Operating Revenues			
Electric	$1,564,077	$1,113,046	$1,097,075
Gas	510,801	490,921	358,267
Other	1,932	825	311
Total operating revenues	2,076,810	1,604,792	1,455,653
Operating Expenses			
Cost of energy sold	1,274,647	945,309	802,670
Other operations and maintenance expense	454,028	373,695	359,360
Depreciation and amortization	138,722	102,221	115,649
Taxes, other than income taxes	52,594	34,607	31,310
Income taxes	19,450	36,062	28,072
Total operating expenses	1,939,441	1,491,894	1,337,061
Operating income	137,369	112,898	118,592
Other Income and Deductions			
Other income and deductions	40,740	39,920	6,552
Other income taxes	(13,411)	(13,185)	183
Net other income and deductions	27,329	26,735	6,735
Net earnings before interest charges	164,698	139,633	125,327
Net interest charges	93,677	51,375	66,189
Preferred Stock Dividend Requirements	2,868	572	586
Net Earnings Before Cumulative Effect of Changes in Accounting Principles	68,153	87,686	58,552
Cumulative Effect of Changes in Accounting Principles Net of Tax (Expense) Benefit of $592, $0 and $(23,999)	(926)	-	36,621
Net Earnings	$ 67,227	$ 87,686	$ 95,173
Net Earnings per Common Share			
Basic	$ 1.02	$ 1.45	$ 1.60
Diluted	$ 1.00	$ 1.43	$ 1.58
Dividends Declared per Common Share	$ 0.785	$ 0.665	$ 0.600
Average shares outstanding	65,928	60,414	59,620

The condensed financial statements in this summary annual report were derived from the consolidated financial statements that appear in PNM Resources' 2005 Form 10-K filed with the Securities and Exchange Commission on March 14, 2006. Copies of the Form 10-K may be obtained by calling PNM Resources' Shareholder Services Department at (800) 545-4425 or visiting PNMResources.com

Condensed Consolidated **Balance Sheets**

	YEAR ENDED DECEMBER 31,	
	2005	2004
(In thousands)		
ASSETS		
Utility Plant		
Utility plant	$ 4,163,314	$ 3,310,266
Less accumulated depreciation and amortization	1,374,599	1,135,510
Subtotal	2,788,715	2,174,756
Construction work in progress	168,195	124,381
Nuclear fuel, net	27,182	25,449
Net utility plant	2,984,092	2,324,586
Other Property and Investments		
Investment in lessor notes	286,678	308,680
Other property and investments	184,227	141,285
Total other property and investments	470,905	449,965
Current Assets		
Cash and cash equivalents	68,199	17,195
Accounts receivable, net	344,892	249,701
Inventories	52,037	41,352
Other current assets	131,169	55,306
Total current assets	596,297	363,554
Deferred Charges		
Regulatory assets	347,279	217,196
Other deferred charges	726,136	132,334
Total deferred charges	1,073,415	349,530
Total Assets	$ 5,124,709	$ 3,487,635
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common stockholders' equity	$ 1,286,459	$ 1,099,579
Cumulative preferred stock of subsidiary	11,529	11,529
Long-term debt	1,746,395	987,823
Total capitalization	3,044,383	2,098,931
Current Liabilities		
Short-term debt	332,200	94,700
Accounts payable	206,648	117,645
Other current liabilities	184,648	144,272
Total current liabilities	723,496	356,617
Long-term Liabilities		
Accumulated deferred income taxes and investment tax credits	485,069	319,888
Regulatory liabilities	402,253	327,419
Asset retirement obligations	55,646	50,361
Other deferred credits	413,862	334,419
Total long-term liabilities	1,356,830	1,032,087
Total Capitalization and Liabilities	$ 5,124,709	$ 3,487,635

The condensed financial statements in this summary annual report were derived from the consolidated financial statements that appear in PNM Resources' 2005 Form 10-K filed with the Securities and Exchange Commission on March 14, 2006. Copies of the Form 10-K may be obtained by calling PNM Resources' Shareholder Services Department at (800) 545-4425 or visiting PNMResources.com

Condensed Consolidated Statement of Cash Flow

(In thousands)	YEAR ENDED DECEMBER 31, 2005	2004	2003
Cash Flows From Operating Activities			
Net earnings	$67,227	$87,686	$95,173
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization	158,699	130,331	142,265
Accumulated deferred income tax	28,318	39,966	90,175
Transition costs write-off	-	-	16,720
Loss on reacquired debt	-	-	16,576
Cumulative effect of changes in accounting principles	1,518	-	(60,620)
Net unrealized (gains) losses on trading and investment securities	3,753	(1,640)	(1,360)
Realized (gains) on investment securities	(8,562)	(2,584)	(1,251)
Equity-linked units charge	11,348	-	-
Turbine impairment	14,958	-	-
Other, net	(5,760)	-	(2,433)
Change in certain assets and liabilities, net of amounts acquired	(61,048)	(18,617)	(69,330)
Net cash flows from operating activities	210,451	235,142	225,915
Cash Flows From Investing Activities			
Capital additions	(221,814)	(145,710)	(177,204)
Redemption of available-for-sale investments	-	-	80,291
Combustion turbine payments	-	-	(11,136)
Return of principle PVNGS lessor notes	21,432	20,292	18,360
Cash acquired from purchase of TNP, net of cash paid	45,965	-	-
Other, net	(226)	(18,420)	(9,101)
Net cash flows from investing activities	(154,643)	(143,838)	(98,790)
Cash Flows From Financing Activities			
Short-term borrowings (repayments), net	237,500	(31,218)	(24,082)
Long-term debt borrowings	339,832	-	483,882
Long-term debt repayments	(399,626)	-	(476,572)
Issuance of common stock	101,231	-	-
Redemption of TNP Preferred Stock	(224,564)	-	-
Premium on long-term debt refinancing	-	-	(23,905)
Refund costs of pollution control bonds	-	-	(31,427)
Exercise of employee stock options	(9,735)	(16,430)	(9,639)
Dividends paid	(51,128)	(38,848)	(36,702)
Other, net	1,686	(307)	312
Net cash flows from financing activities	(4,804)	(86,803)	(118,133)
Increase in Cash and Cash Equivalents	51,004	4,501	8,992
Cash and Cash Equivalents at the Beginning of Year	17,195	12,694	3,702
Cash and Cash Equivalents at the End of Year	$ 68,199	$17,195	$12,694
Supplemental Cash Flow Disclosures			
Interest paid, net of capitalized interest	$ 77,066	$46,469	$69,046
Income taxes paid (refunded), net	$ (4,174)	$14,459	$(23,154)
Non Cash Transactions			
Pension contribution of PNMR common stock	-	-	$28,950
Supplemental Schedule of Noncash Investing and Financing Activities:			
During 2005, PNMR purchased all of the outstanding common shares of TNP for $74.6 million in cash and $87.4 million in PNMR common stock. In conjunction with the acquisitions, liabilities were assumed as follows:			
Fair value of assets acquired	$1,501,114		
Cash paid for transaction costs	(21,520)		
Cash paid for TNP common shares	(74,648)		
PNMR common stock exchanged for TNP common stock	(87,392)		
Liabilities assumed	$1,317,554		

Shareholder Information

2006 Annual Meeting

The 2006 Annual Meeting of Stockholders will be held at 9 a.m. (MDT) on May 16, 2006 at the South Broadway Cultural Center, 1025 Broadway S.E., Albuquerque, N.M. Proxies will be requested from stockholders when the notice of meeting and proxy statement are mailed on or about April 7.

Transfer Agent and Registrar

Corporate Headquarters:
Mellon Investor Services
PO Box 3338
South Hackensack, NJ 07606-1938
Phone: (877) 663-7775
Web site: https://vault.melloninvestor.com/isd/
Overnight, Registered or Certified Mail:
Mellon Investor Services
480 Washington Blvd.
Jersey City, N.J. 07310

Dividend Reinvestment and Direct Stock Purchase Plan

PNM Resources offers a dividend reinvestment and direct stock purchase plan as a service to both new investors and current shareholders. In addition to full or partial reinvestment of dividends, the PNM Direct Plan gives shareholders the opportunity to make direct cash investments. More information about the plan and enrollment forms are available by calling Mellon Investor Services at (877) 663-7775 or by visiting Mellon's Web site at https://vault.melloninvestor.com/isd/.

Mellon has done an excellent job as our agent in processing requests for transfer of share ownership, address changes and other routine transactions. But if you prefer to deal with someone in PNM Resources Shareholder Services, please feel free to call us anytime during business hours. You can reach a PNM Resources representative by calling us directly at (800) 545-4425.

Securities Information

Exchange Listing and Stock Symbol

PNM Resources common stock is listed on the New York Stock Exchange under the symbol PNM. The newspaper listing is PNM Res. As of February 28, 2006, there were 14,350 common shareholders of record.

Dividends Declared and Common Stock Prices

	2004			2005		
	DIVIDEND	STOCK PRICE		Dividend	STOCK PRICE	
QTR		High	Low		High	Low
1	$0.16	$21.20	$18.77	$0.185	$28.20	$23.83
2	$0.16	$20.87	$18.70	——	$30.38	$26.12
3	$0.16	$22.75	$20.09	$0.40	$30.45	$27.62
4	$0.185	$26.11	$22.57	$0.20	$29.22	$24.03

*Dividends declared during the quarter ended September 30, 2005 include a $0.20 per share dividend declared on July 19 for the quarter ended June 30 and a $0.20 per share dividend declared on September 27 for the quarter ended September 30.

The dividend and stock prices have been adjusted for the 3-for-2 stock split that occurred on June 11, 2004.

For further information regarding dividends, please see discussion on page A-30 in the company's 2005 Form 10-K.

Reports and Publications

Copies of the company's Form 10-K (annual report) and Form 10-Q (quarterly report) to the Securities and Exchange Commission (SEC), proxy statement, all news releases, stock quotes, quarterly earnings results and other corporate literature are available free upon request by calling (800) 545-4425, by accessing the information on the Internet at PNMResources.com or by writing Investor Services.

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