

A Note from the President

To Our Shareholders,

First Quarter Results

Middlesex Water Company announced a 6.0% increase in consolidated operating revenues for the first quarter ended March 31, 2004. Revenues for the first quarter totaled \$15.9 million, up from \$15.0 million for the same period in 2003. Earnings applicable to common stock equaled \$0.9 million, or \$0.09 per share of common stock, as compared to \$1.1 million or \$0.11 per share in 2003.

Double-digit increases in base rates and customer growth for its Delaware subsidiary, Tidewater Utilities, Inc., generated an additional \$0.4 million in revenues during the quarter, while our meter installation joint venture through our non-regulated subsidiary, Utility Service Affiliates, Inc. added \$0.5 million to revenues.

Operating expenses increased to \$13.6 million up from \$12.6 million. Costs associated with the customer growth in Delaware and the meter installation joint venture amounted to \$0.7 million of the increase. Higher purchased water costs, energy costs and business insurance costs for the Middlesex system accounted for \$0.3 million of the operating expenses.

For the twelve months ended March 31, 2004, our revenues were \$65.0 million, up from \$62.7 million for the same period in the prior year. Earnings applicable to Common Stock were \$6.1 million, compared to \$7.4 million for the twelve-month period ended March 31, 2003.

Board Declared Dividend

The Board of Directors of Middlesex Water Company declared a quarterly cash dividend of \$0.165 per share (post the November 2003 4:3 split) on the Common Stock, payable on June 1, 2004, to stockholders of record as of May 14, 2004. The Company has paid cash dividends in varying amounts continually since 1912 and the dividend has been increased in each year since 1973.

Stock Offering Update

On May 12, 2004, the Company closed on the offering of 700,000 shares of its Common Stock. The Company also granted the underwriters an over-allotment option to purchase an additional 100,000 shares. We intend to use the net proceeds to repay most of our outstanding short-term borrowings.

Tidewater Files for Rate Increase

In April 2004, Tidewater Utilities, Inc. filed a request with the Delaware Public Service Commission for a 24% increase in water rates. Tidewater has invested \$20.0 million in plant upgrades and equipment since its last rate case for system improvements and to keep pace with double-digit growth in its customer base.

RENEW Work Area Selected

Middlesex Water Company will be cleaning and lining water mains in the Fords section of Woodbridge and the Bonhamtown section of Edison beginning this April. Approximately 7 miles of water main are scheduled to be rehabilitated under the 2004 RENEW Program, which is funded through low interest loans obtained through the New Jersey Environmental Infrastructure Trust.

Management Changes

In the first quarter of 2004, we faced another transition in management as Marion F. Reynolds, Corporate Secretary for 17 years, retired from the Company. We thank Ms. Reynolds for her dedication and commitment to the Company and its shareholders. Kenneth Quinn, General Counsel of the Company was named Secretary-Treasurer and Ronald F. Williams, Vice President of Operations, was named Assistant Secretary.

We continue to explore ways to increase shareholder value while delivering on our commitment to provide quality water service. We thank you for your continued support and confidence.



Dennis G. Sullivan
President and Chief Executive Officer
May 15, 2004

Shareholder Services

Inquiries about stock transfer, dividends, dividend reinvestment, missing or lost certificates, change of address notification and other account information should be directed to:

Investor Relations Department, Middlesex Water Company
P.O. Box 1500, Iselin, NJ 08830

Dividend Reinvestment and Stock Purchase Plan

The Company has a Dividend Reinvestment and Stock Purchase Plan through which its shareholders can automatically reinvest all or part of their dividends and/or make direct cash payments to acquire Middlesex Water Company Common Stock.

Direct Deposit of Dividends

Middlesex Water offers direct deposit of dividends whereby dividend payments may be deposited into shareholders' checking, savings or money market accounts. For information call 1-800-368-5948.

Transfer Agent

The Transfer Agent for the Common and Preferred Stocks is:

Registrar and Transfer Company, 10 Commerce Drive,
Cranford, NJ 07016, 800-368-5948

View Your Account Online!

Shareholders can now view their stockholder account information directly via the Internet. Registrar and Transfer Company (R&T) will issue and mail a password directly to you at your address of record. You may also apply for a password by visiting the R&T website, www.rtc.com. Please note, you will need your account number to request Internet access. This number can be found on your distribution check or dividend reinvestment statement. The R&T web site also has other loadable forms and the ability to submit address changes and request the replacement of outstanding checks.



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NASDAQ Stock Market Symbol: MSEX
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Consolidated Statements of Income (unaudited)

	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2004	2003	2004	2003
Operating Revenues	\$15,875,733	\$14,981,373	\$65,005,574	\$ 62,684,756
Operating Expenses:				
Operations	8,904,091	7,811,629	33,758,561	30,516,982
Maintenance	862,508	975,854	3,415,767	3,165,499
Depreciation	1,436,230	1,280,180	5,518,777	4,947,730
Other Taxes	1,945,194	1,908,128	7,852,984	7,797,617
Income Taxes	507,359	629,733	3,114,844	3,926,129
Total Operating Expenses	13,655,382	12,605,524	53,660,933	50,353,957
Operating Income	2,220,351	2,375,849	11,344,641	12,330,799
Other Income:				
Allowance for Funds Used During Construction	49,561	92,606	272,874	291,991
Other Income	19,806	19,944	131,361	225,661
Other Expense	(3,236)	(19,170)	(73,997)	(80,590)
Total Other Income	66,131	93,380	330,238	437,062
Interest Charges	1,252,842	1,244,348	5,235,524	5,054,333
Net Income	1,033,640	1,224,881	6,439,355	7,713,528
Preferred Stock Dividend Requirements	63,697	63,697	254,786	254,786
Earnings Applicable to Common Stock	\$ 969,943	\$ 1,161,184	\$ 6,184,569	\$ 7,458,742
Earnings per share of Common Stock:				
Basic	\$ 0.09	\$ 0.11	\$ 0.59	\$ 0.72
Diluted	\$ 0.09	\$ 0.11	\$ 0.59	\$ 0.72
Average Number of Common Shares Outstanding:				
Basic	10,579,095	10,378,502	10,524,905	10,327,655
Diluted	10,922,235	10,721,642	10,868,045	10,670,795
Cash Dividends Paid per Common Share	\$ 0.165	\$ 0.161	\$ 0.653	\$ 0.638

* All share and per share amounts reflect the three-for-two common stock split, effective January 2, 2002, and the four-for-three common stock split, effective November 14, 2003.



March 31, 2004

First Quarter
Report to
Shareholders