

A Note from the President

To Our Shareholders,

Third Quarter Results

Middlesex Water Company is pleased to report that, for the third quarter ended September 30, 2004, net income increased by 40.5% over the same period last year. Consolidated operating revenues were \$19.9 million, up \$2.3 million from \$17.6 million for the same period in 2003. Earnings applicable to common stock were \$3.3 million, or \$0.29 per share of common stock, as compared to \$2.3 million, or \$0.22 in 2003. Water sales in our New Jersey systems improved by \$1.1 million, primarily the result of base rate increases. Continued double-digit customer growth and base rate increases for the Company's Delaware subsidiary, Tidewater Utilities, Inc., generated an additional \$0.8 million in revenues while the Company's new meter installation venture added \$0.6 million to revenues.

Nine-month operating revenues increased to \$53.5 million, up from \$48.6 million for the same period in 2003. Earnings applicable to common stock were \$6.1 million, or \$0.55 per share of common stock, as compared to \$5.2 million, or \$0.50 in 2003. The increase in earnings per share was due to improved water sales in New Jersey, customer growth of 10.7% in Delaware, and base rate increases in both New Jersey and Delaware.

Twelve-month operating revenues increased to \$69.0 million, up from \$63.8 million for the same period in 2003. Earnings applicable to common stock were \$7.2 million, an increase of less than 1%, as compared to the same period in 2003. Earnings per share of common stock decreased from \$0.69 to or \$0.67 due to the higher number of shares outstanding that resulted from the issuance of 700,000 shares in May 2004.

The Middlesex system faced higher costs for purchased water, energy, water treatment, payroll and benefits, insurance and corporate governance fees. Operating expenses increased to support customer growth in Delaware and our new meter installation venture.

Board Declares Dividend

The Board of Directors approved an increase in the quarterly common stock dividend from \$0.165 to \$0.1675 per share, payable on December 1, 2004, to stockholders of record as of November 15, 2004.

Rate Matters

In late October, Tidewater Utilities Inc., received the final decision on the rate case it had filed with the Delaware Public Service Commission (PSC) in April 2004. Tidewater had placed interim rates of 15% into effect in June 2004 to cover its additional increases and capital costs. In its final decision and Order, the PSC granted Tidewater an increase equal to these interim rates. The interim increase of 15% represents \$1,500,000 above annual revenues inclusive of two Distribution System Improvement Charge (DSIC) adjustments already implemented by Tidewater over the past year and a half. A DSIC is a charge for non-revenue producing capital improvements.

No additional increases were granted at this time. However, Tidewater will be eligible for a second phase of this increase, and able to apply for additional revenues of up to \$533,598, provided it completes a number of capital projects by May 2005. The Company agreed to waive its right to file a DSIC application over the next three six-month cycles (January and July of 2005, and January of 2006). Tidewater also agreed to defer making an application for a general rate increase until after April 1, 2006.

Other News

Work continues on the construction of a new 60" diameter back-up raw water supply pipeline from the Company's pump station in New Brunswick, to its water treatment plant in Edison. Micro tunneling, which enables the installation of pipeline beneath the Raritan River, is to occur this November. The Company expects to complete the project by April 2005.

Middlesex Water plans to install a solar energy system at its water treatment plant by early summer 2005. In its first year, the system is expected to provide approximately 4% of the plant's annual energy needs while reducing electric costs by approximately 10%. Sixty percent of this project is being funded by a grant from the State of New Jersey, Board of Public Utilities, Clean Energy Program.

Management Update

In September, the Company's Board of Directors appointed Dennis W. Doll, Executive Vice President. Mr. Doll, a Certified Public Accountant, brings to the company nearly 20 years of experience in both regulated and non-regulated utility management. His management background includes water and wastewater utilities, contract operations, construction and real estate as well as business process design and capital management.

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



Dennis G. Sullivan
President and Chief Executive Officer
November 12, 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 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 website also has other loadable forms and the ability to submit address changes and request the replacement of outstanding checks.



1500 Ronson Road, Iselin, NJ 08830-3020
732-634-1500 • Fax 732-750-5981

NASDAQ Stock Market Symbol: MSEX
www.middlesexwater.com

Condensed Consolidated Statements of Income

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2004	2003	2004	2003	2004	2003
Operating Revenues	\$19,856,688	\$17,585,575	\$53,502,334	\$48,564,914	\$69,048,634	\$63,759,946
Operating Expenses:						
Operations	9,193,804	8,687,828	27,455,475	24,292,699	35,828,875	31,478,131
Maintenance	759,352	830,877	2,430,319	2,612,556	3,346,876	3,457,835
Depreciation	1,467,523	1,342,059	4,353,222	3,960,856	5,755,093	5,242,946
Other Taxes	2,224,028	2,081,210	6,195,329	5,950,472	8,060,775	7,854,295
Income Taxes	1,714,802	1,143,264	3,240,804	2,764,542	3,713,480	3,592,1261
Total Operating Expenses	15,359,509	14,085,238	43,675,149	39,581,125	56,705,099	51,625,333
Operating Income	4,497,179	3,500,337	9,827,185	8,983,789	12,343,535	12,134,613
Other Income:						
Allowance for Funds Used During Construction	179,173	95,448	309,455	253,253	372,121	336,482
Other Income	33,418	41,705	170,983	83,896	218,586	199,144
Other Expense	(85)	(984)	(29,761)	(68,708)	(50,984)	(122,367)
Total Other Income - Net	212,506	136,169	450,677	268,441	539,723	413,259
Interest Charges	1,347,475	1,243,888	3,991,681	3,830,926	5,387,785	5,099,090
Net Income	3,362,210	2,392,618	6,286,181	5,421,304	7,495,473	7,448,782
Preferred Stock Dividend Requirements	63,697	63,697	191,090	191,090	254,786	254,786
Earnings Applicable to Common Stock	\$ 3,298,513	\$ 2,328,921	\$ 6,095,091	\$ 5,230,214	\$ 7,240,687	\$ 7,193,996
Earnings per share of Common Stock:						
Basic	\$ 0.29	\$ 0.22	\$ 0.55	\$ 0.50	\$ 0.67	\$ 0.69
Diluted	\$ 0.29	\$ 0.22	\$ 0.55	\$ 0.50	\$ 0.66	\$ 0.68
Average Number of Common Shares Outstanding:						
Basic	11,316,768	10,505,517	10,989,209	10,448,226	10,880,220	10,472,573
Diluted	11,659,908	10,848,657	11,332,349	10,791,366	11,223,360	10,815,713
Cash Dividends Paid per Common Share	\$ 0.1650	\$ 0.1613	\$ 0.4950	\$ 0.4838	\$ 0.6603	\$ 0.6450



September 30, 2004

Third Quarter
Report to
Shareholders