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About Middlesex Water Company

Middlesex Water Company was incorporated as a water utility company in 1897. The Company collects, treats, distributes and sells water for domestic, commercial, municipal, industrial and fire protection purposes.

Our New Jersey Companies

The Middlesex System provides water services to approximately 58,000 retail customers, within a 55-square mile area encompassing Woodbridge Township, the City of South Amboy, the Boroughs of Metuchen and Carteret, portions of Edison Township and the Borough of South Plainfield. The Company also provides water under contract to the Township of Edison, the Boroughs of Highland Park and Sayreville, and both the Old Bridge and Marlboro Township Utilities Authorities. The Middlesex System also provides treatment and pumping services to the Township of East Brunswick under contract. The contract customers of the Middlesex System comprise an area of approximately 141 square miles with a population of about 267,000.

Utility Service Affiliates (Perth Amboy) Inc., operates the City of Perth Amboy's water and wastewater systems and serves approximately 9,300 customers.

The Pinelands Water and Wastewater Companies serve approximately 2,300 residential customers in Burlington County, New Jersey.

Utility Service Affiliates, Inc. provides contract operations services and water service line maintenance through its LineCare™ Program.

Bayview Water Company provides water service to 300 customers in Cumberland County, New Jersey.

Our Delaware Companies

Tidewater Utilities, Inc., (TUI), the Company's Delaware subsidiary, provides water service to about 24,000 retail customers in about 250 separate community water systems in New Castle, Kent and Sussex Counties.

Southern Shores Water Company, a subsidiary of TUI, provides water service to 2,200 customers in Sussex County, Delaware.

White Marsh Environmental Systems, Inc. operates water and wastewater systems in Delaware, under contract, and serves about 4,500 customers.

Tidewater Environmental Services, Inc. was formed in 2004 to provide wastewater services in Delaware.

Shareholder Services

Inquiries about stock transfer, 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.ftgo.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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732-634-1500 • Fax 732-638-7515
NASDAQ Stock Market Symbol: MSEX
www.middlesexwater.com



A Note from the President

To Our Shareholders,

Second Quarter Results

Consolidated operating revenues for the quarter ended June 30, 2005, were \$18.4 million, up from \$17.8 million for the same period in 2004. Earnings applicable to common stock were \$1.9 million, or \$0.17 per share of common stock, comparable with the prior year.

Revenues from sales of water increased by \$0.9 million in the Middlesex system, which was primarily the result of a 9.5% base rate increase received in May 2004. This increase was partially offset by decreased water consumption by certain large industrial customers during the period. Continued customer growth and a base rate increase for the Company's Delaware subsidiary, Tidewater Utilities, Inc. (TUI), generated \$0.5 million of additional water revenues compared to the same period in the prior year; however, weather-related construction delays in the housing industry in southern Delaware have resulted in slower than anticipated customer growth in the current period.

In spite of these construction delays, demand for new housing in Delaware continues to appear strong based upon applications for new water service. In addition to these requests for new water service, TUI is responding to numerous requests for proposals to provide residential wastewater services to proposed developments through the Company's newly-formed regulated wastewater subsidiary, Tidewater Environmental Services, Inc.

Operating expenses increased to \$15.1 million, primarily due to higher costs for payroll and benefits. The increased benefits costs were primarily related to pension, post-retirement and health care. Certain of these and other cost increases were unanticipated and are expected to adversely impact earnings for the remainder of 2005.

Rate Matters

On May 18, 2005, Middlesex filed a petition with the New Jersey Board of Public Utilities (NJBP) requesting an overall increase of \$6.4 million over current revenues to support its ongoing capital program and to cover increases in operations, maintenance, depreciation and taxes expenses. Since January 2004, the Company has invested \$19.2 million in its utility infrastructure, including \$8.7 million for a new raw water pipeline and \$3.8 million to clean and line aging water mains. Approximately \$1.1 million will be used towards the completion of a 500 kilowatt solar energy system being installed at the Company's surface water treatment plant.

On August 10, 2005, Pinelands Water and Pinelands Wastewater, wholly-owned subsidiaries of Middlesex operating in Burlington County, New Jersey, filed petitions with the NJBP requesting increases in annual rates of \$95,349 and \$54,810, respectively, to cover additional capital and operating costs since rates were last established in June 2004.

In the second quarter, Utility Service Affiliates, Inc., a non-regulated subsidiary, accelerated an initiative to increase enrollment in its LineCaresm Program. LineCaresm is a Water Service Line Protection Program offered to residential customers for an annual fee of \$60.00. More than 2,500 new subscribers have been added since the beginning of 2005.

Six-Month Results

For the six months ended June 30, 2005, revenues increased to \$35.2 million, up from \$33.6 million for the same period in 2004. Earnings applicable to common stock were \$3.2 million, or \$0.28 per share of common stock, as compared to \$2.8 million, or \$0.26 in 2004.

Board Declares Dividend

The Board of Directors declared a quarterly common stock dividend of \$0.1675 per share, payable on September 1, 2005, to common stockholders of record as of August 15, 2005. The Company is currently offering its shares at a 5% discount on all optional cash purchases and reinvested dividends under the Plan through December 1, 2005.

Annual Meeting of Stockholders

At the annual meeting held on May 25, 2005, stockholders of the Company voted to re-elect Directors John R. Middleton, M.D., Jeffries Shein and J. Richard Tompkins to 3-year terms expiring in 2008. Each director received at least 9,625,118 votes or at least 98.6 percent of the total votes cast. More than 86% of the total shares outstanding were voted in person or by proxy.

I would like to congratulate these Directors on their re-election and thank all the members of your Board for the diverse skills they bring to their roles as Directors and for their continuing efforts to create value for you, our shareholders.



Dennis G. Sullivan
President and Chief Executive Officer
August 15, 2005

MIDDLESEX WATER COMPANY CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Operating Revenues	\$18,430,751	\$17,769,913	\$35,173,654	\$33,645,646
Operating Expenses:				
Operations	9,409,108	9,357,580	18,451,104	18,261,671
Maintenance	979,119	808,459	1,877,804	1,670,967
Depreciation	1,620,159	1,449,469	3,168,207	2,885,699
Other Taxes	2,163,520	2,026,107	4,246,654	3,971,301
Income Taxes	894,714	1,018,643	1,561,484	1,526,002
Total Operating Expenses	15,066,620	14,660,258	29,305,253	28,315,640
Operating Income	3,364,131	3,109,655	5,868,401	5,330,006
Other Income:				
Allowance for Funds Used During Construction	140,456	80,721	350,906	130,282
Other Income	35,943	117,759	91,162	137,565
Other Expense	(16,324)	(26,440)	(24,469)	(29,676)
Total Other Income, net	160,075	172,040	417,599	238,171
Interest Charges	1,578,078	1,391,364	2,960,170	2,644,206
Net Income	1,946,128	1,890,331	3,325,830	2,923,971
Preferred Stock Dividend Requirements	63,696	63,696	127,393	127,393
Earnings Applicable to Common Stock	\$ 1,882,432	\$ 1,826,635	\$3,198,437	\$ 2,796,578
Earnings per share of Common Stock:				
Basic	\$ 0.17	\$ 0.17	\$ 0.28	\$ 0.26
Diluted	\$ 0.16	\$ 0.16	\$ 0.28	\$ 0.26
Average Number of Common Shares Outstanding:				
Basic	11,392,964	11,068,164	11,380,290	10,823,630
Diluted	11,736,104	11,411,304	11,723,430	11,166,770
Cash Dividends Paid per Common Share	\$ 0.1675	\$ 0.1650	\$ 0.3350	\$ 0.3300