

2008 First-Quarter Report

June 2008

To Our Shareholders:

First Quarter Earnings

We saw the benefits of the acquisition of the Eastern Operations of Birmingham Utilities and reductions in some key operating costs in the first quarter. Overall, there was a 16% increase in net income for the quarter ending March 31, 2008 when compared to the same period in 2007, and an 11% increase in Earnings per Share (EPS). Net income was \$1.7 million in 2008 versus \$1.5 million in 2007, and EPS was \$0.20 in 2008 versus \$0.18 in 2007.

The Water Activities Segment, our core regulated water business, showed real strength in the first quarter with net income growth of 17% that delivered earnings of \$0.18 per share. The gain in this segment was largely due to a \$400,000 increase in revenues primarily as a result of the acquisition of Birmingham Utilities' Eastern Operations on January 16, 2008.

We continue to see growth in the Service and Rental segment, the contract services and Linebacker® portion of our business, with a 34% increase in net income to \$190,000, or \$0.02 cents per share. In the same period last year, this segment delivered net income of \$142,000. As expected there was no income from the Real Estate segment in the first quarter.

Rate Case Reopener

On March 28, 2008, the Connecticut Department of Public Utility Control (DPUC) issued its decision on the rate case re-opener that was allowed for in the negotiated settlement of our 2006 rate proceeding. The decision approved new rates that went into effect on April 1, 2008, which allow us to recover financing and operating costs related to the \$15.5 million in infrastructure investment that was placed in service in 2007 to better serve our customers.

Annual Meeting of Shareholders


On May 15, 2008, you elected Mary Ann Hanley, Mark G. Kachur, and David A. Lentini to serve as directors of your company until the 2011 Annual Meeting of Shareholders. In addition, you ratified the selection of PricewaterhouseCoopers LLP as the independent auditors for 2008.

Notice and Access

Our use of "Notice and Access" for the 2008 Annual Meeting of Shareholders resulted in the Company printing and mailing more than 50% fewer full printed packages of proxy materials, and still more than 82% of eligible votes were cast. In addition to printing and postage savings, we saved about 3 tons of paper from the waste stream and the environmental impact of transporting these materials through the production chain from the paper manufacturer to the shareholders' mail box.

On behalf of your Connecticut Water team, I thank you for your confidence in the Company. We look forward to serving you in the years ahead.

Very truly yours,

A handwritten signature in black ink, appearing to read "Eric W. Thornburg".

Eric W. Thornburg
Chairman, President and CEO

Connecticut Water Service, Inc. & Subsidiaries

Condensed Consolidated Statements of Income (unaudited)

(In thousands except per share amounts)	Three Months Ended March 31,	
	2008	2007
Operating Revenues	\$13,569	\$13,162
Utility Operating Income	\$2,812	\$2,412
Gain (Loss) on Property Transactions, Net	\$--	\$41
Non-Water Sales Earnings (Services and Rentals)	\$190	\$142
Net Income	\$1,705	\$1,475
Net Income Applicable to Common Shareholders	\$1,696	\$1,466
Basic Earnings Per Average Common Share	\$0.20	\$0.18
Diluted Earnings Per Average Common Share	\$0.20	\$0.18
Basic Weighted Average Common Shares Outstanding	8,350	8,232
Diluted Weighted Average Common Shares Outstanding	8,401	8,250
Book Value Per Share	\$11.92	\$11.57

Condensed Consolidated Balance Sheets (unaudited)

(In thousands)	March 31, 2008	March 31, 2007
ASSETS		
Net Utility Plant	\$284,249	\$264,030
Current Assets	23,723	15,384
Other Assets	60,871	39,354
Total Assets	\$368,843	\$318,768
CAPITALIZATION AND LIABILITIES		
Shareholders' Equity	\$100,314	\$ 96,049
Preferred Stock	772	772
Long-Term Debt	92,284	77,345
Current Liabilities	19,638	15,775
Other Liabilities and Deferred Credits	155,835	128,827
Total Capitalization and Liabilities	\$368,843	\$318,768

	<u>Equity Type</u>	<u>Record Date</u>	<u>Payable Date</u>	<u>Rate</u>
Dividends declared	Common (NASDAQ:CTWS)	6/02/08	6/16/08	\$0.2175
	Preferred A (not publicly traded)	7/01/08	7/15/08	\$0.20
	Preferred 90 (NASDAQ:CTWSP)	7/17/08	7/31/08	\$0.225

	<u>Declaration Date</u>	<u>Record Date</u>	<u>Payable Date</u>
Proposed next common stock dividend dates	August 19, 2008	September 2, 2008	September 16, 2008

Connecticut Water Service, Inc.
 93 West Main Street
 Clinton, Connecticut 06413-1600
 FAX (860) 669-5579
 Shareholder Info: 1-800-428-3985, Ext.3016
 Website: www.ctwater.com

Stock Transfer, Dividend Disbursing Agent and
 Agent to Administer Dividend Reinvestment Plan
 Registrar and Transfer Company
 10 Commerce Drive, Cranford, NJ 07016
 1-800-368-5948
 On-line information: <http://www.rtco.com>
 SKU CTWATER QR-1