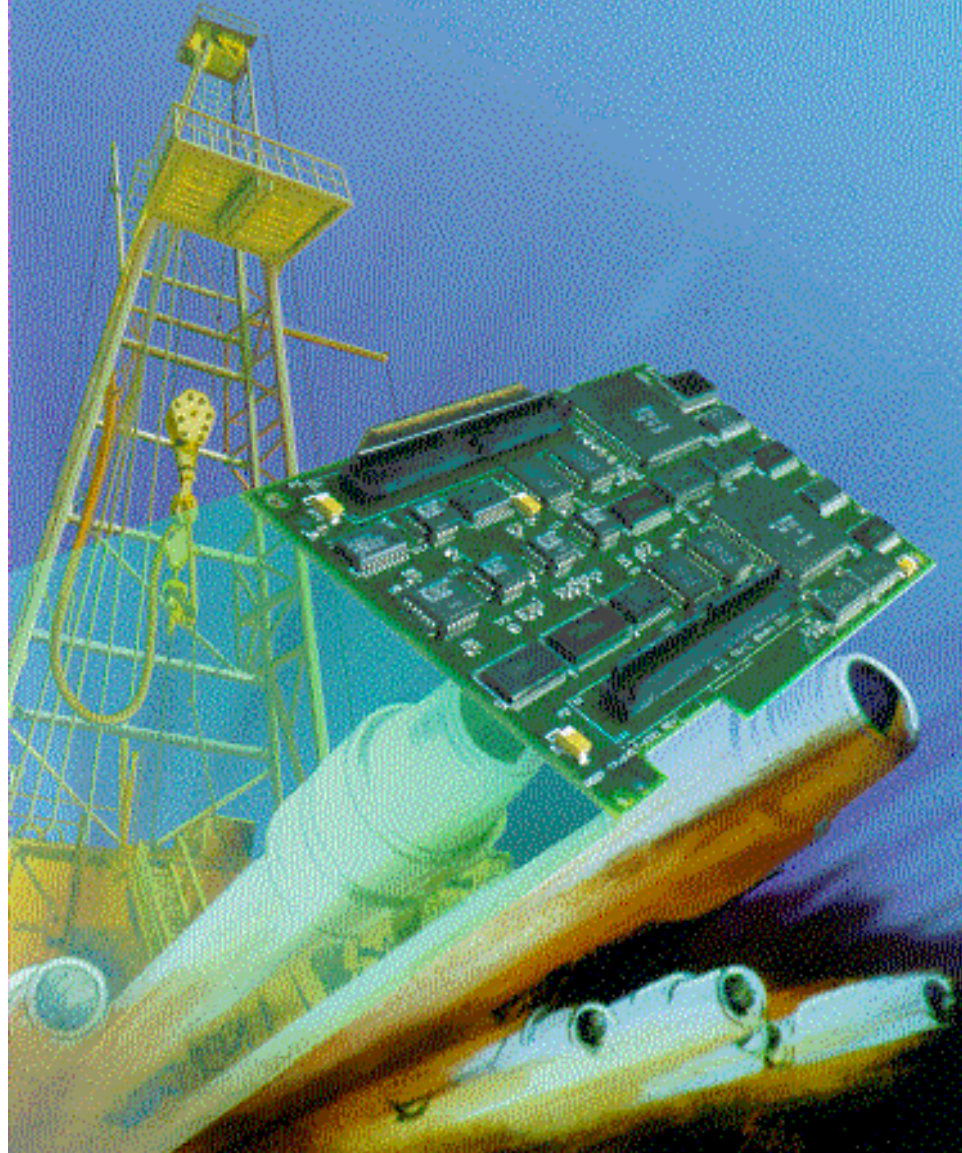


SUSTAINED GROWTH THROUGH STRATEGIC MANAGEMENT

SWIFT ENERGY
COMPANY
1998 THIRD QUARTER REPORT



Letter to Stockholders

For the three months ending September 30, 1998, Swift Energy Company experienced two significant and contrasting events: (1) The Company's oil and natural gas production reached the highest level in its history at 12.2 billion cubic feet of natural gas equivalent (Bcfe), and (2) the Company's earnings were reduced with non-cash impairment charges totaling \$90.8 million (\$59.9 million after taxes). The impairment charges were primarily the result of persistently low oil and gas prices, which, of course, also reduced revenues from sales. However, with the sharply increased production largely offsetting the low prices, the net cash flow from operating activities, before temporary working capital changes, was 29% higher than the cash flow in the third quarter of 1997.

The third-quarter production represented an 87% increase over the production for the same period in 1997 and a 68% increase over the production for the preceding quarter. Revenues from oil and gas sales for the period were 45% higher than those from 1997 third-quarter sales, despite the fact that the average oil and gas prices were lower by 28% and 22%, respectively. For the nine months ending September 30, 1998, production was 43% higher than for the same period in 1997 and revenues from sales were 13% higher, largely offsetting average oil and gas prices that were lower by 33% and 18%, respectively.

The increases in production during the third quarter resulted from Swift's previously announced acquisition from Sonat Exploration Company of properties located in Texas and Louisiana in the vicinity of Toledo Bend Lake. When the Company assumed operations of most of these "Toledo Bend" properties, which primarily produce from the Austin Chalk trend, they included 10 dual-horizontal wells in the Masters Creek Field in Vernon Parish, Louisiana, that had been shut in awaiting completion or the installation of production facilities. By the end of the third quarter, five of the wells had been placed on production and, with Swift's net revenue interests of 25-40%, were adding 23.1 million cubic feet of gas equivalent per day to the Company's production. The remaining five wells are expected to be placed on production before year end.

Also during the third quarter, Swift participated in the drilling and completion of a horizontal well in the Chasmore Field near the Masters Creek Field. Other third-quarter additions to the Company's production resulted from a successful well Swift drilled in the Olmos Field in McMullen County, Texas, and from its participation in two successful horizontal wells, one each in Fayette County and Washington County, Texas.

Net income for the third quarter totaled \$2.5 million, or \$0.15 per diluted share, before the non-cash impairment charges. For the first nine months of 1998, net income was \$8.5 million before the charges.

One of the impairment charges was necessitated by the low prices prevailing at the end of September, resulting in the Company's domestic capitalized oil and gas property costs exceeding its full-cost ceiling. As a result, we experienced a before-tax non-cash charge of \$77.2 million to our earnings (\$50.9 million after tax).

While this charge represents a write-down in the capitalized oil and gas property costs for the third quarter, it does not reflect a reduction in the volume of the Company's reserves, which during the last few months have been extensively reviewed not only by our staff but also by two independent engineering firms and by a syndicate of ten of the world's leading banks.

A second non-cash charge was related to our investments in Russia and Venezuela. The severe tightening of international credit markets, the increasing political uncertainty in Russia, currency concerns in both Russia and Venezuela, and the continuing price volatility led us to reevaluate the timing of the recovery of our capitalized costs in those countries. This resulted in an additional non-cash charge of \$13.6 million to our before-tax earnings (\$9.0 million after tax).

The two non-cash impairment charges led to a net loss of \$57.4 million for the quarter, or \$3.50 per diluted share, compared to net earnings of \$4.7 million, or \$0.27 per diluted share, for the third quarter of 1997. For the nine months ended September 30, 1998, the net loss was \$51.3 million, or \$3.11 per diluted share, compared to earnings of \$15.6 million, or \$0.88 per diluted share, for the same period in 1997.

Net cash provided by operating activities for the third quarter was \$16.8 million before temporary working capital changes of approximately \$4.2 million that are primarily related to the acquisition of the Toledo Bend properties. As noted earlier, this represents a 29% increase in cash flow from the third quarter of 1997.

Also, as a result of the intensive review by the 10-bank syndicate during the third-quarter of 1998, we increased our unsecured revolving credit facility to \$250 million, which allowed us to acquire the Toledo Bend properties. While the increased debt associated with the acquisition also increases our interest expense, the higher interest is more than compensated for by the increase in oil and gas sales.

As has been the case for the entire oil and gas industry, the continuing low prices have severely challenged Swift Energy throughout this calendar year; however, they have also created opportunities, the most obvious, of course, being the opportunity to acquire the Toledo Bend properties from Sonat that have so significantly increased our reserves, production, and sales. At the same time, the Company has an inventory of development drilling sites that is at record levels, as well as a high-quality portfolio of exploration projects. Given these and other potential projects and our strong cash flow, together with the expertise and experience of our technical staff, we have every reason to anticipate continued growth for the Company.



Terry E. Swift
President and
Chief Operating Officer



A. Earl Swift
Chairman and
Chief Executive Officer

Consolidated Balance Sheets

Swift Energy Company and Subsidiaries

(in Thousands)

	September 30, 1998	December 31, 1997
	(Unaudited)	
Assets		
Current assets	\$ 31,469	\$ 29,982
Property and equipment, net	356,403	304,219
Other	9,331	4,914
	<u>\$ 397,203</u>	<u>\$ 339,115</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 22,414	\$ 28,518
Long-term debt	115,000	115,000
Bank borrowings	151,500	7,915
Deferred revenues	1,977	2,928
Deferred income taxes	—	25,354
Stockholders' equity	106,312	159,400
	<u>\$ 397,203</u>	<u>\$ 339,115</u>

Third-Quarter Volumes and Prices

	1998	1997	% Change
Natural gas production (Mcf)	8,076,988	5,560,395	+45%
Oil & condensate production (barrels)	695,434	163,672	+325%
Average gas price per Mcf	\$ 1.93	\$ 2.47	-22%
Average oil price per barrel	\$ 11.94	\$ 16.50	-28%

Mcf = 1,000 cubic feet

Consolidated Statements of Income

Swift Energy Company and Subsidiaries

(Unaudited)

(in Thousands Except Per Share Amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
Revenues:				
Oil and gas sales	\$ 23,859	\$ 16,412	\$ 55,342	\$ 48,853
Fees from limited partnerships and joint ventures	93	379	298	643
Interest income	33	415	96	2,165
Other, net	573	690	1,638	1,885
	<u>24,558</u>	<u>17,896</u>	<u>57,374</u>	<u>53,546</u>
Costs and Expenses:				
Oil and gas production	4,045	2,190	8,920	6,362
General and administrative, net	1,058	932	2,940	2,741
Depreciation, depletion, and amortization	13,348	6,387	27,333	17,495
Interest expense, net	2,386	1,362	5,355	3,755
Write down of oil & gas properties	90,773	—	90,773	—
	<u>111,610</u>	<u>10,871</u>	<u>135,321</u>	<u>30,353</u>
Income Before Income Taxes	(87,052)	7,025	(77,947)	23,193
Provision for Income Taxes	(29,621)	2,339	(26,642)	7,624
Net Income	<u>\$ (57,431)</u>	<u>\$ 4,686</u>	<u>\$ (51,305)</u>	<u>\$ 15,569</u>
Per Share Amounts—				
Basic	<u>\$ (3.50)</u>	<u>\$ 0.29</u>	<u>\$ (3.11)</u>	<u>\$ 0.94</u>
Diluted	<u>\$ (3.50)</u>	<u>\$ 0.27</u>	<u>\$ (3.11)</u>	<u>\$ 0.88</u>
Weighted Average Shares				
Outstanding	16,419	16,418	16,481	16,508

Consolidated Statements of Cash Flows

Swift Energy Company and Subsidiaries

(Unaudited)
(in Thousands)

	Nine Months Ended September 30,	
	1998	1997
Cash Flows from Operating Activities:		
Net income (loss)	\$ (51,305)	\$ 15,569
Non-cash revenue and expense items	90,522	24,025
Net change in operating assets and liabilities	<u>(1,143)</u>	<u>3,486</u>
Net Cash Provided by Operating Activities	<u>38,074</u>	<u>43,080</u>
Cash Flows from Investing Activities:		
Additions to property and equipment	(170,942)	(100,908)
Proceeds from the sale of property and equipment	1,294	1,656
Net cash received (distributed) as operator of oil and gas properties	(11,211)	744
Net cash received (distributed) as operator of partnerships and joint ventures	1,706	1,328
Limited partnership formation and marketing costs	(408)	—
Other	<u>(95)</u>	<u>(202)</u>
Net Cash Used in Investing Activities	<u>(179,656)</u>	<u>(97,382)</u>
Cash Flows from Financing Activities:		
Net proceeds from bank borrowings	143,585	—
Net proceeds from issuances of common stock	1,193	1,631
Purchase of treasury stock	(3,050)	(8,417)
Payments of debt issuance costs	<u>(541)</u>	<u>—</u>
Net Cash Provided by (Used in) Financing Activities	<u>141,187</u>	<u>(6,786)</u>
Net Decrease in Cash and Cash Equivalents	\$ (395)	\$ (61,088)
Cash and Cash Equivalents at Beginning of Period	<u>2,047</u>	<u>77,795</u>
Cash and Cash Equivalents at End of Period	<u>\$ 1,652</u>	<u>\$ 16,707</u>

Investor Information

BOARD OF DIRECTORS

A. Earl Swift
Chairman of the Board
Swift Energy Company

Virgil N. Swift
Vice Chairman of the Board
Swift Energy Company

G. Robert Evans
Retired Chairman and CEO
Material Sciences Corporation

Raymond O. Loen
President
R. O. Loen Company

Henry C. Montgomery
Chairman
Montgomery Financial Management

Clyde W. Smith, Jr.
President
Millennium Technology Services, Inc.

Harold J. Withrow
Consultant

OFFICERS

A. Earl Swift
Chief Executive Officer

Terry E. Swift
President
Chief Operating Officer

Virgil N. Swift
Executive Vice President—Business Development

John R. Alden
Senior Vice President—Finance,
Chief Financial Officer, Secretary

Joe A. D'Amico
Senior Vice President—Exploration & Development

James M. Kitterman
Senior Vice President—Operations

Bruce H. Vincent
Senior Vice President—Funds Management

Alton D. Heckaman, Jr.
Vice President
Controller

James P. Mitchell
Vice President—Land

Victor R. Moran
Vice President—Natural Gas Marketing/
Business Development

Khushroo N. J. Patel
President—Geophysics

Tara L. Seaman
Vice President—Acquisitions, Dispositions,
& Reserves

James R. Stewart, Jr.
Vice President—Drilling & Production

Adrian D. Shelley
Treasurer

D. Wynn Ibach
General Counsel

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New York Stock Exchange
Pacific Exchange, Inc.
Symbol "SFY"

Swift Energy ® and  ® are registered service marks of Swift Energy Company.

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