Swift Energy Company
16825 Northchase Drive, Suite 400
Houston, Texas 77060-6098
Web Site: http://www.swiftenergy.com
Telephone: (281) 874-2700

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Letter to Stockholders

With oil and gas prices effectively doubling and our production increasing 5% during the first quarter of 2003 as compared to the first quarter of 2002, Swift Energy Company's income before a change in accounting principle rose to $10.5 million for the first three months of 2003. This was a 247% increase compared to a net income of $3.0 million in the same period in 2002. Even after a $4.4 million one-time charge due to a mandated accounting change (Statement of Financial Accounting Standard No. 143), the Company's net income of $6.1 million ($0.22 per diluted share) was 102% higher in the first quarter of 2003 than in the first quarter of 2002. For the same periods, net cash provided by operating activities increased 147% to $26.8 million in 2003 ($0.98 per diluted share).

The average prices we received during the first quarter of 2003 were $3.71 per thousand cubic feet (Mcf) for natural gas and $30.55 per barrel for oil and natural gas liquids, compared to $1.72 and $16.10, respectively, during the first quarter of 2002. Domestic prices for the first quarter of 2003 averaged $6.03 per Mcf for natural gas and $32.16 per barrel for oil and natural gas liquids. While substantially lower, New Zealand prices have steadily increased for five straight quarters and are expected to improve as our non-contracted natural gas sales increase in a tightening New Zealand market.

Our production during the first quarter of 2003 totaled 12.86 billion cubic feet of natural gas equivalent (Bcfe) compared to 12.29 Bcfe in the first quarter of 2002. Our New Zealand production increased 97% to 5.16 Bcfe, while our domestic production decreased 20% to 7.71 Bcfe. This decrease was expected since we curtailed our 2002 domestic drilling in several areas to adapt to the low product prices and high operational costs that existed in the industry, especially in the early part of 2002.

We continue to focus our domestic drilling in the Lake Washington Field in Plaquemines Parish, Louisiana, where in 2002 we successfully drilled 19 wells (17 development, two exploratory), all with 100% Swift working interests. As of May 9, 2003, we had already drilled another 19 wells in the field (all development), again with 100% Swift working interests. Of these, 13 were completed during the first quarter and six were second-quarter wells that had been completed or were awaiting completion.

Also as of May 9, we had drilled a total of 57 wells in the Lake Washington Field since we acquired the field in early 2001. Of these, 43 have been successful and have resulted in significant additions to our proved reserves. We are proceeding with our plans to drill a total of 50 to 60 wells in the field this year and expect to continue at a comparable pace next year.

Thus far we have encountered 48 different pay zones in the field and have completed wells in 19 different pay zones with an average net pay thickness of 134 feet. The most recent Lake Washington wells have primarily targeted the D sand and the F sand that we discovered to be productive last year. The first four wells completed this year had an average net pay of 140 feet in the F sand, and a later well (the Cockrell-Moran 222) had a true vertical net pay of 230 feet in the F sand. Other wells have encountered net pay thicknesses in the 8,400-foot sand, another productive sand that we discovered last year.

As previously reported, a third-party pipeline rupture resulted in a temporary partial shut-in in the Lake Washington Field that lowered our first-quarter production by approximately 0.7 to 1.0 Bcfe and is expected to lower our second-quarter production by approximately the same amount. However, by the end of April we were barging our crude oil to sales locations at approximately 6,000 gross barrels per day. Pipeline transportation should be restored in the third quarter, and the scheduled facility upgrades to increase our processing capacity to over 14,000 gross barrels per day should also be completed during the third quarter.

In other domestic activities, we successfully completed the first of three wells to be drilled during the second quarter in the AWP Olmos Field in McMullen County, Texas. These three wells, in which we have 100% working interests, are part of a 10-well development program in this field for 2003 under an Entity for Density approval from the Texas Railroad Commission.

We are also participating in a development well (the Burns #2) that is currently being drilled to the Frio formation about 200 feet from last year's successful Burns #1 well on the Milan prospect in the Garcia Ranch region in Kenedy County, Texas. We have a 33% working interest in each well.

In the Rimu/Kauri Area in New Zealand, we completed a new development well (the Kauri-F1) in the shallow Manutahi sand during the first quarter, and it is currently undergoing production testing.

We also fracture stimulated the exploratory Kauri-A4 well in the Kauri sands, more than doubling its initial test production. The testing is continuing, but in early April the well's daily test rates had already increased up to 4.8 million cubic feet (MMcf) of natural gas and 202 barrels of natural gas condensate. This well should be connected to the Rimu Production Station for long-term production by the third quarter. We plan to drill two more delineation wells in the Kauri sands this year, one of which (the Kauri-E1) was spudded in late May.

With the increasing demand for natural gas in New Zealand, production from our TAWN Area averaged more than 50 MMcfe per day during the first quarter. The increasing demand is also increasing the price we receive for our production.

On the financial side, we are pleased that improved market conditions and our own increasing cash flows have enabled us to request that our commitment amount with our bank group, the borrowing base of which was reaffirmed at $195 million on May 1, be reduced to $150 million effective May 9. As of May 31, we had borrowed $10.6 million against this line of credit. Under the terms of the credit facility, we can increase our commitment amount back to the total amount of the borrowing base at our discretion, subject to the terms of the credit agreement. As announced earlier, our 2003 program is based on capital expenditures of $115 million to $130 million (excluding acquisitions), and we are confident that we are in a strong financial position to support this program. We are also confident that with this program we can achieve our year-end goal of increasing both our proved reserves and our production by 7% to 12%.

Terry E. Swift
Chief Executive Officer,
President, and Director

Summary Balance Sheet Information

Swift Energy Company and Subsidiaries

(in Thousands)

	March 31, 2003 (Unaudited)	December 31, 2002
Assets		
Current assets	$ 37,071	$ 29,768
Property and equipment, net	738,807	725,510
Other	10,671	11,728
	$ 786,549	$ 767,006
Liabilities and Stockholders' Equity		
Current liabilities	$ 42,318	$ 46,884
Long-term debt	329,992	324,272
Deferred income taxes	33,198	30,777
Asset retirement obligation	9,185	—
Stockholders' equity	371,856	365,073
	$ 786,549	$ 767,006

First-Quarter Volumes and Prices

Swift Energy Company and Subsidiaries

(Unaudited)

	1st Qtr. 2003	1st Qtr. 2002	% Change
Natural gas production (Mcf)	7,683,863	6,626,222	+16%
Oil & condensate production (barrels)	863,095	943,521	–9%
Average gas price per Mcf	$ 3.71	$ 1.72	+116%
Average oil price per barrel	$ 30.55	$ 16.10	+90%

Mcf = 1,000 cubic feet

Consolidated Statements of Income

Swift Energy Company and Subsidiaries

(Unaudited)
(in Thousands Except Income per Share)

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Revenues:		
Oil and gas sales	$ 54,850	$ 26,613
Fees from limited partnerships and joint ventures	8	5
Interest income	38	6
Gain on asset disposition	—	7,332
Price-risk management and other, net	(1,396)	398
	53,500	34,354
Costs and Expenses:		
Oil and gas production	11,908	9,565
General and administrative, net	3,556	2,274
Depreciation, depletion, and amortization	14,912	13,961
Accretion of asset retirement obligation	215	—
Interest expense, net	6,685	3,880
	37,276	29,680
Income Before Income Taxes and Change in Accounting Principle	16,224	4,674
Provision for Income Taxes	5,739	1,654
Income Before Change in Accounting Principle	10,485	3,020
Cumulative Effect of Change in Accounting Principle (net of taxes)	4,377	—
Net Income	$ 6,108	$ 3,020
Per Share Amounts—		
Basic: Income Before Change in Accounting Principle	$ 0.38	$ 0.12
Change in Accounting Principle	(0.16)	—
Net Income	$ 0.22	$ 0.12
Diluted: Income Before Change in Accounting Principle	$ 0.38	$ 0.12
Change in Accounting Principle	(0.16)	—
Net Income	$ 0.22	$ 0.12
Weighted Average Shares Outstanding	27,243	24,882

Consolidated Statements of Cash Flows

Swift Energy Company and Subsidiaries

(Unaudited)
(in Thousands)

	Period Ended March 31, 2003	Period Ended March 31, 2002
Cash Flows from Operating Activities:		
Net income	$ 6,108	$ 3,020
Non-cash revenue and expense items	25,535	15,776
Gain on asset disposition	—	(7,333)
Net change in operating assets and liabilities	(4,844)	(629)
Net Cash Provided by Operating Activities	26,799	10,834
Cash Flows from Investing Activities:		
Additions to property and equipment	(26,335)	(83,041)
Proceeds from the sale of property and equipment	551	7,523
Net cash distributed as operator of oil and gas properties	(5,890)	(10,591)
Net cash distributed as operator of partnerships and joint ventures	(287)	(23,090)
Other	(36)	32
Net Cash Used in Investing Activities	(31,997)	(109,167)
Cash Flows from Financing Activities:		
Net proceeds from bank borrowings	5,700	97,000
Net proceeds from issuances of common stock	—	347
Payments of debt issuance costs	—	(347)
Net Cash Provided by Financing Activities	5,700	97,000
Net Increase (Decrease) in Cash and Cash Equivalents	$ 502	$ (1,333)
Cash and Cash Equivalents at Beginning of Period	3,816	2,149
Cash and Cash Equivalents at End of Period	$ 4,318	$ 816

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
Chairman, Swift Energy International

Terry E. Swift
President & CEO
Swift Energy Company
President, Swift Energy International

G. Robert Evans
Retired Chairman & CEO
Material Sciences Corporation

Raymond E. Galvin
Retired President
Chevron U.S.A. Production Company

Henry C. Montgomery
Chairman & Founder
Montgomery Financial Services Corporation

Clyde W. Smith, Jr.
President
Ascentron, Inc.

Harold J. Withrow
Consultant

Raymond O. Loen
Director Emeritus

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Chief Operating Officer

Bruce H. Vincent
Executive Vice President–Corporate
Development, Secretary

Alton D. Heckaman, Jr.
Senior Vice President–Finance,
Chief Financial Officer

James M. Kitterman
Senior Vice President–Operations

James P. Mitchell
Senior Vice President–Commercial
Transaction and Land

Victor R. Moran
Senior Vice President–Energy Marketing &
Business Development

Gerald B. Long
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Vice President–Geophysics

Thomas E. Schmidt
Vice President–Exploration & Development

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

Adrian D. Shelley
Treasurer

David W. Wesson
Controller

D. Wynn Ibach
General Counsel

CORPORATE HEADQUARTERS

Swift Energy Company
16825 Northchase Drive, Suite 400
Houston, Texas 77060-6098
Telephones: (281) 874-2700 or (800) 777-2412

INDEPENDENT ACCOUNTANTS

Ernst & Young
1221 McKinney Street
Houston, Texas 77010

TRANSFER AGENT AND REGISTRAR

American Stock Transfer &
Trust Company
59 Maiden Lane, Plaza Level
New York, New York 10038
Telephone: (212) 936-5100

EXCHANGE LISTINGS

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

For additional information, contact: Investor Relations Department, Phone: (281) 874-2700 or (800) 777-2412, Fax: (281) 874-2726, E-mail: info@swiftenergy.com, Web site: www.swiftenergy.com.