



SWIFT ENERGY COMPANY
2003 SECOND QUARTER REPORT



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Letter to Stockholders

A record level of production and relatively high commodity prices combined to give Swift Energy a second quarter 2003 net income of \$7.2 million (\$0.26 per diluted share), an increase of 101% from the second quarter of 2002 and an increase of 18% from the first quarter of 2003. Net cash provided by operating activities for the second quarter of 2003 was \$26.7 million compared to \$24.8 million for the same period in 2002.

For the six months ending June 30, 2003, net income increased 102% to \$13.3 million (\$0.49 per diluted share) after a \$4.4 million charge for an accounting change in the first quarter. Net cash provided by operating activities for the first half of 2003 was \$53.5 million compared to \$35.6 million for the same period in 2002.

Total production in the second quarter of 2003 was 13.3 billion cubic feet of natural gas equivalent (Bcfe), which was 5% higher than the 12.7 Bcfe produced in the second quarter of 2002 and 3% higher than the 12.9 Bcfe produced in the first quarter of 2003. For the first six months of 2003, production was 26.1 Bcfe, a 5% increase from the 25.0 Bcfe produced in the first six months of 2002.

Revenues from oil and gas sales totaled \$50.9 million in the second quarter of 2003, compared to \$38.3 million in the second quarter of 2002 and \$54.9 million in the first quarter of 2003. For the first six months of the year, sales were \$105.8 million in 2003 and \$64.9 million in 2002. These numbers reflect the impact of generally higher average commodity prices in 2003 than in 2002 but a decline in prices from the first quarter to the second quarter of 2003. The numbers also reflect the impact of the mix of Swift's total production with respect to the increasing domestic oil-to-gas ratio, the increasing proportion of natural gas production contributed by New Zealand, and the spread between U.S. and New Zealand gas prices. Domestic production, which in the second quarter totaled 8.5 Bcfe and was 58% oil and natural gas liquids, sold at an average price of \$4.71 per thousand cubic feet of natural gas equivalent (per Mcfe), while New Zealand production, which totaled 4.8 Bcfe and was 73% natural gas, sold at \$2.28 per Mcfe.

Although New Zealand natural gas prices have consistently been lower than U.S. gas prices, the average prices received by Swift Energy New Zealand (SENZ) have increased for the last six quarters, partially because of the strengthening of the New Zealand dollar relative to the U.S. dollar, but also because of the tightening New Zealand market caused by the decline of that country's Maui Field. Based on current conditions, we expect the price appreciation in New Zealand to continue.

Our second quarter 2003 domestic production decreased 4% compared to second quarter 2002 production, primarily because of the continued interruption in pipeline transportation that began in March of this year in the Lake Washington Field in Plaquemines Parish, Louisiana, but also because of the ongoing effect of our temporary suspension in late 2001 of drilling activity in areas that target the initially high-deliverability Austin Chalk trend. However, our domestic production was 10% higher in the second quarter than in the first quarter of 2003 and is expected to keep increasing as a result of our successful drilling activity and facility expansion in the Lake Washington Field, together with our resumption of drilling activity in other core areas.

Our second quarter 2003 New Zealand production was up 26% compared to second quarter 2002 production, but was down 7% from first quarter 2003 production, primarily because of scheduled maintenance downtime at the processing facilities in both the TAWN Area and the Rimu/Kauri Area.

In our drilling activities during the second quarter, we successfully completed 19 consecutive domestic wells. Of these, two exploratory wells and 12 development wells were in the Lake Washington Field, one of which (the Cockrell-Moran 263) found 222 feet of true vertical net pay in seven different sands along the southeast side of the field's salt dome. Four of the 19 wells were part of a new 10-well drilling program in the AWP Olmos Field in McMullen County, Texas, and one was a non-operated well (the Burns #2) drilled in the Garcia Ranch region in Kenedy County, Texas.

In New Zealand, we successfully completed the Kauri-E1 well in the Kauri sands and began drilling the Kauri-E2 well. We also placed in production the Kauri-F1 well completed earlier this year in the shallow Manutahi sand. In addition, we concluded production tests on the 2002 Kauri-A4 well and began flowing its production to the Rimu Production Station in mid-July at an average of approximately 3.0 million cubic feet (MMcf) of natural gas and 140 barrels of condensate per day.

Supported by our recent operational successes and improved cash flow, on July 8 we announced an increase in our 2003 capital budget from \$130 million to \$150 million. The increased budget will allow us to drill up to 70 wells in the Lake Washington Field this year (10 more than originally planned) and also to accelerate facility capacity additions. During the first half of 2003, we drilled 38 wells in the Lake Washington Field, for a total of 70 wells since we acquired the field in late 2001. At the end of the second quarter, oil production from the field was averaging 8,500 gross barrels (7,000 net barrels to Swift) per day. With two rigs operating and some of the wells targeting deeper sands, together with the continuing facility upgrades, we expect by year-end to be producing 10,000 gross barrels per day and to have a gross facility capacity of 20,000 barrels per day. Also, we expect to resume pipeline transportation from the Lake Washington Field in the fourth quarter, with crude oil barging continuing as well. Finally, we will begin preparations for a Lake Washington seismic survey to be conducted next year.

We also intend to drill six more wells in the AWP Olmos Field, to continue drilling in the Garcia Ranch region, and to return to drilling in the Austin Chalk trend. The first 2003 Austin Chalk well was spudded in the Brookeland Area in Newton County, Texas, on August 17, and a second well will follow in the Masters Creek Area in Vernon Parish, Louisiana.

In New Zealand, we expect to initiate a fracture stimulation program before year-end to improve overall production in the Rimu/Kauri Area. We also anticipate drilling a development well in the Tariki Field to further exploit the TAWN Area. Finally, we plan to re-enter and deepen the Tuihu exploratory well to the Tariki and Eocene sands. Drilled in permit area PEP 38718, this well was temporarily abandoned by the former operator in 2001.

Overall, we are very pleased with our operational results for the first half of the year and believe that Swift Energy is headed for a solid financial performance in the year 2003.

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

Summary Balance Sheet Information

Swift Energy Company and Subsidiaries

(in Thousands)

	June 30, 2003	December 31, 2002
	(Unaudited)	
Assets		
Current assets	\$ 36,226	\$ 29,768
Property and equipment, net	758,550	725,510
Other	10,018	11,728
	<u>\$ 804,794</u>	<u>\$ 767,006</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 47,056	\$ 46,884
Bank borrowings	7,500	—
Senior notes due 2009	124,312	124,272
Senior notes due 2012	200,000	200,000
Deferred income taxes	36,271	30,777
Asset retirement obligation	9,520	—
Stockholders' equity	380,135	365,073
	<u>\$ 804,794</u>	<u>\$ 767,006</u>

Second-Quarter Volumes and Prices

Swift Energy Company and Subsidiaries

(Unaudited)

	2nd Qtr. 2003	2nd Qtr. 2002	% Change
Natural gas production (Mcf)	7,075,504	6,660,719	+6%
Oil & condensate production (barrels)	1,033,191	1,002,342	+3%
Average gas price per Mcf	\$ 3.47	\$ 2.60	+33%
Average oil price per barrel	\$ 25.48	\$ 20.97	+22%

Mcf = 1,000 cubic feet

Consolidated Statements of Income

Swift Energy Company and Subsidiaries

(Unaudited)

(in Thousands Except Income per Share)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenues:				
Oil and gas sales	\$ 50,909	\$ 38,331	\$ 105,760	\$ 64,944
Fees from limited partnerships and joint ventures	7	50	15	54
Interest income	73	26	110	32
Gain on asset disposition	—	—	—	7,333
Price-risk management and other, net	(271)	163	(1,667)	561
	<u>50,718</u>	<u>38,570</u>	<u>104,218</u>	<u>72,924</u>
Costs and Expenses:				
Oil and gas production	13,754	10,032	25,662	19,598
General and administrative, net	3,338	2,598	6,895	4,871
Depreciation, depletion, and amortization	15,677	14,341	30,588	28,302
Accretion of asset retirement obligation	202	—	417	—
Interest expense, net	6,673	6,080	13,358	9,960
	<u>39,644</u>	<u>33,051</u>	<u>76,920</u>	<u>62,731</u>
Income Before Income Taxes and Change in Accounting Principle	11,074	5,519	27,298	10,193
Provision for Income Taxes	3,852	1,935	9,591	3,589
Income Before Change in Accounting Principle	7,222	3,584	17,707	6,604
Cumulative Effect of Change in Accounting Principle (net of taxes)	—	—	4,377	—
Net Income	<u>\$ 7,222</u>	<u>\$ 3,584</u>	<u>\$ 13,330</u>	<u>\$ 6,604</u>
Per Share Amounts—				
Basic: Income Before Change in Accounting Principle	\$ 0.26	\$ 0.13	\$ 0.65	\$ 0.26
Change in Accounting Principle	—	—	(0.16)	—
Net Income	<u>\$ 0.26</u>	<u>\$ 0.13</u>	<u>\$ 0.49</u>	<u>\$ 0.26</u>
Diluted: Income Before Change in Accounting Principle	\$ 0.26	\$ 0.13	\$ 0.65	\$ 0.25
Change in Accounting Principle	—	—	(0.16)	—
Net Income	<u>\$ 0.26</u>	<u>\$ 0.13</u>	<u>\$ 0.49</u>	<u>\$ 0.25</u>
Weighted Average Shares Outstanding	27,311	26,566	27,277	25,724

Consolidated Statements of Cash Flows

Swift Energy Company and Subsidiaries

(Unaudited)
(in Thousands)

	Period Ended June 30,	
	2003	2002
Cash Flows from Operating Activities:		
Net income	\$ 13,330	\$ 6,604
Non-cash revenue and expense items	45,054	32,465
Gain on asset disposition	—	(7,333)
Net change in operating assets and liabilities	(4,862)	3,850
Net Cash Provided by Operating Activities	53,522	35,586
Cash Flows from Investing Activities:		
Additions to property and equipment	(62,261)	(102,632)
Proceeds from the sale of property and equipment	755	9,594
Net cash distributed as operator of oil and gas properties	(1,956)	(6,750)
Net cash distributed as operator of partnerships and joint ventures	(255)	(17,419)
Other	(86)	195
Net Cash Used in Investing Activities	(63,803)	(117,012)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	—	200,000
Net proceeds from (payments of) bank borrowings	7,500	(134,000)
Net proceeds from issuances of common stock	1,091	31,249
Payments of debt issuance costs	—	(6,166)
Net Cash Provided by Financing Activities	8,591	91,083
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (1,690)	\$ 9,657
Cash and Cash Equivalents at Beginning of Period	3,816	2,149
Cash and Cash Equivalents at End of Period	\$ 2,126	\$ 11,806

Investor Information

BOARD OF DIRECTORS

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Swift Energy Company

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Swift Energy Company
Chairman, Swift Energy International

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President & CEO
Swift Energy Company
President, Swift Energy International

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Retired Chairman & CEO
Material Sciences Corporation

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