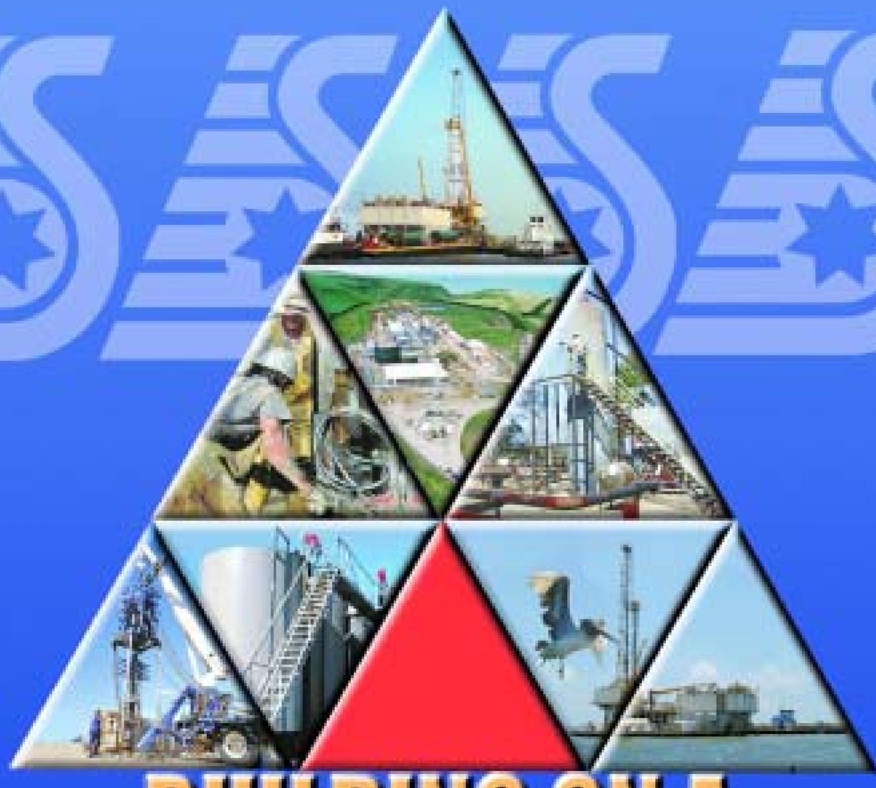
SWIFT ENERGY COMPANY

# 2004 SECOND QUARTER REPORT



# BUILDING ON A STRONG FOUNDATION

# Letter to Stockholders

Swift Energy Company ended the second quarter of 2004 with record oil and natural gas sales that significantly increased earnings from the previous year. Our second-quarter sales reached $71.8 million, higher by $20.9 million (41%) than our 2003 second-quarter sales. The increase was attributable to a 7% rise in our production, from 13.3 to 14.3 billion cubic feet of natural gas equivalent (Bcfe), and a 31% increase in the average price we received, from $3.84 to $5.04 per thousand cubic feet of natural gas equivalent (Mcfe). Our net income before the effect of a debt retirement expense (a non-GAAP measure) was $14.6 million, or $0.52 per diluted share; after the effect, it was $12.9 million, or $0.46 per diluted share, a 79% increase over our net income in the second quarter of 2003. Cash flow before working capital changes (a non-GAAP measure) rose 51% to $40.3 million, or $1.42 per diluted share. (Our August 4 press release, which is available on our web site, provides the reconciliation of GAAP to non-GAAP measures.)

For the first six months of 2004, our oil and gas sales totaled $137.8 million, a 30% increase over sales in the first half of 2003 due to an increase in our production from 26.1 to 28.5 Bcfe and an increase in the average price we received from $4.05 to $4.83 per Mcfe. Net income increased 106% to $27.5 million, or $0.98 per diluted share, and cash flow before working capital changes (a non-GAAP measure) increased 35% to $79.1 million, or $2.81 per diluted share.

Our total production of 14.3 Bcfe during the second quarter of 2004 consisted of 10.2 Bcfe from domestic production (72%) and 4.1 Bcfe from New Zealand production. Domestic production increased 20% compared to the same period in 2003, with the Lake Washington Field in Plaquemines Parish, Louisiana, providing 5.5 Bcfe, double its contribution in the second quarter of 2003. Because of the predominance of this field, approximately 60% of our 2004 second-quarter domestic production was oil, with over 1 million barrels sold at an average of $37.22 per barrel. Domestic natural gas liquids production was 179,000 barrels (sold at an average of $19.42 per barrel), and domestic natural gas production was 3.0 Bcf (sold at an average of $6.09 per Mcf). Primarily due to a slowdown this year in the Lake Washington drilling program to accommodate a scheduled three-dimensional seismic survey and facility upgrades, our domestic production decreased 2% from our 2004 first-quarter production; however, for the first six months of the year, our 2004 domestic production was 27% higher than in 2003.

Our New Zealand production of 4.1 Bcfe in the second quarter of 2004 was comprised of 2.8 Bcf of natural gas (sold at $2.13 per Mcf), 122,000 barrels of oil (sold at $37.37 per barrel), and 90,000 barrels of natural gas liquids (sold at $17.69 per barrel). The combined New Zealand production represents a 15% decrease relative to our 2003 second-quarter production and a 5% increase relative to our 2004 first-quarter production. For the first half of the year, we experienced an overall production decline of 21% in New Zealand, largely because of the availability of hydroelectric power that decreased the demand for natural gas during this period. This situation, which is expected to exist throughout the remainder of this year, will have less impact in future years as the New Zealand natural gas market increasingly tightens. In the meantime, we are benefiting from the on-going improvement of the pricing environment for New Zealand natural gas, which together with a stabilized and improved value of the New Zealand dollar, leads to higher net realized prices for the Company.

In our 2004 second-quarter domestic operations, we continued to focus on two of our core operating areas, the Lake Washington Area in Louisiana and the AWP Olmos Area in McMillan County, Texas, and we also drilled in other potential areas in South Texas.

In Lake Washington we completed five of six second-quarter development wells drilled to the Miocene sands, bringing the year-to-date Lake Washington development successes to 11 out of 13 wells. Our plans have been to drill 25 to 30 wells in Lake Washington during 2004 with only one rig operating; however, we are reviewing these plans as we receive the preliminary results from our three-dimensional seismic survey in the field, with the expectation of adding a second rig in the field during the fourth quarter. Detailed results from the seismic survey will be available during the fourth quarter and not only should aid us with some of the intermediate depth targets in our already large inventory of drilling sites, but also should provide considerable insight into the deeper sands in the field. Our geologists have been mapping the sands around the field's salt dome based on data from wells drilled as deep as 14,000 feet by earlier operators, along with data from earlier proprietary seismic shoots, and when we tie in our new seismic data, we expect to have a solid drilling inventory for at least three to five years. In the meantime, we are rebuilding an amine plant whose untimely failure cost us up to 3,500 barrels per day of production for several weeks in the third quarter, and we are expanding two of our three processing platforms that are operating at capacity, with the possibility of adding a fourth platform. Even given the above circumstances, we still expect to reach our Lake Washington production goal of 12,000 net barrels per day by year-end 2004.

At AWP, we completed four of five development wells drilled to the Olmos sand, bringing the year-to-date successes in that field to nine out of ten wells. We expect to drill a total of 15 to 18 wells at AWP during the year. In addition, this year we have helped maintain the AWP production level by installing coiled-tubing gas lifts in 15 wells and performing formation fracture enhancements on two wells.

Also in South Texas, we completed a second-quarter exploratory well in the Frio sands in Kenedy County and participated in an unsuccessful exploratory well targeting the Frio sands in Willacy County. Since the end of the quarter, we have completed two development wells in the Wilcox sands in Goliad County and Duval County.

Second-quarter drilling operations in the New Zealand Rimu/Kauri Area included the fifth well from the Kauri-E pad (the Kauri-E5), which was perforated in a section of the Kauri sandstone at a true vertical depth of approximately 9,900 feet. We spudded the Kauri-E6 well in August, which, in addition to targeting the Kauri sand, will also be drilled deeper to evaluate the Tariki sand at that location. A first-quarter well, the Kauri-E4, was drilled down to the Tariki sand and is currently producing from it, but the well is expected to be plugged back to the Kauri sandstone to be fractured with all the Kauri-E wells when the fracturing program begins later this year.

The second-quarter Rimu/Kauri Area activities also included six wells drilled to the shallow Manutahi sand. The first was an unsuccessful exploratory well in a new fault block, after which five development wells were completed in the existing fault block.

Before year end, we plan to enhance production from our New Zealand TAWN Area by drilling our first development well in the Tariki Field. We also have a large on-shore position of exploration acreage that we hope to begin evaluating over the next two years.

As we proceed with all these activities, we have a very strong liquidity position. We recently renewed our Revolving Credit Facility with our ten-member bank group, increasing it to $400 million from $300 million and extending it until October 2008. Our borrowing base was reaffirmed at $250 million, while our commitment amount remains at $150 million. At the end of the second quarter, our bank line remained virtually untapped. Capital expenditures for the second quarter were $41 million, in line with our cash flow.

To strengthen our financial position, we recently closed a public offering of $150 million of 7-5/8% senior notes due 2011, using the proceeds to repurchase $125 million of 10-1/4% senior subordinated notes due 2009 and to repay indebtedness on our bank credit facility, as well as for other general corporate purposes. As a result, we incurred debt retirement expenses of $2.7 million in the second quarter and expect to incur $6.9 million in the third quarter.

Our flexible financial position allows us to take advantage of any additional acquisition or drilling opportunities that might arise, and we shall, of course, stay alert to such eventualities. We remain excited about the opportunities we still have within our present core areas, and you may be assured that we shall vigorously pursue them for the remainder of the year and into the next.

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

# Summary Balance Sheet Information

Swift Energy Company and Subsidiaries

(in Thousands)

| | June 30, 2004 | December 31, 2003 |
|---|---|---|
| | (Unaudited) | |
| Assets | | |
| Current assets | $ 125,146 | $ 33,457 |
| Property and equipment, net | 846,063 | 816,460 |
| Other | 14,111 | 9,922 |
| | $ 985,320 | $ 859,839 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | $ 142,040 | $ 69,354 |
| Bank borrowings | — | 15,900 |
| Senior Notes due 2009[1] | — | 124,355 |
| Senior Notes due 2011 | 150,000 | — |
| Senior Notes due 2012 | 200,000 | 200,000 |
| Deferred income taxes | 54,697 | 43,499 |
| Asset retirement obligation | 8,958 | 9,340 |
| Stockholders' equity | 429,625 | 397,391 |
| | $ 985,320 | $ 859,839 |

[1]Approximately $92.5 million of our Senior Notes due 2009 have been included in "Current liabilities" at June 30, 2004, as we repurchased these notes in July and August 2004."

# Second-Quarter Production and Prices

Swift Energy Company and Subsidiaries

| (Unaudited) | 2nd Qtr. 2004 | 2nd Qtr. 2003 | % Change |
|---|---|---|---|
| Total Production | | | |
| Combined oil & natural gas (Mcfe) | 14,251,532 | 13,274,648 | +7% |
| Natural gas (Mcf) | 5,783,654 | 7,075,502 | –18% |
| Crude oil (barrels) | 1,142,464 | 821,715 | +39% |
| Natural gas liquids (barrels) | 268,849 | 211,476 | +27% |
| Average Prices | | | |
| Combined oil & natural gas ($/Mcfe) | 5.04 | 3.84 | +31% |
| Natural gas ($/Mcf) | 4.19 | 3.47 | +21% |
| Crude oil ($/barrel) | 37.24 | 27.97 | +33% |
| Natural gas liquids ($/barrel) | 18.84 | 15.81 | +19% |

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, 2004 | Three Months Ended June 30, 2003 | Six Months Ended June 30, 2004 | Six Months Ended June 30, 2003 |
|---|---|---|---|---|
| Revenues: | | | | |
| Oil and gas sales | $ 71,825 | $ 50,909 | $137,778 | $105,760 |
| Price-risk management and other, net | (781) | (191) | (1,379) | (1,542) |
| | 71,044 | 50,718 | 136,399 | 104,218 |
| Costs and Expenses: | | | | |
| General and administrative, net | 4,176 | 3,338 | 8,205 | 6,895 |
| Depreciation, depletion, and amortization | 19,509 | 15,676 | 37,805 | 30,588 |
| Accretion of asset retirement obligation | 160 | 202 | 331 | 417 |
| Lease operating costs | 10,436 | 9,172 | 20,062 | 16,485 |
| Severance and other taxes | 6,927 | 4,583 | 13,174 | 9,177 |
| Interest expense, net | 7,144 | 6,673 | 14,044 | 13,358 |
| Debt retirement cost | 2,691 | — | 2,691 | — |
| | 51,043 | 39,644 | 96,312 | 76,920 |
| Income Before Income Taxes and Change in Accounting Principle | 20,001 | 11,074 | 40,087 | 27,298 |
| Provision for Income Taxes | 7,103 | 3,852 | 12,601 | 9,591 |
| Income Before Change in Accounting Principle | 12,898 | 7,222 | 27,486 | 17,707 |
| Cumulative Effect of Change in Accounting Principle (net of taxes) | — | — | — | 4,377 |
| Net Income | $ 12,898 | $ 7,222 | $ 27,486 | $ 13,330 |
| Per Share Amounts— | | | | |
| Basic: Income Before Change in Accounting Principle | $ 0.46 | $ 0.26 | $ 0.99 | $ 0.65 |
| Change in Accounting Principle | — | — | — | (0.16) |
| Net Income | $ 0.46 | $ 0.26 | $ 0.99 | $ 0.49 |
| Diluted: Income Before Change in Accounting Principle | $ 0.46 | $ 0.26 | $ 0.98 | $ 0.65 |
| Change in Accounting Principle | — | — | — | (0.16) |
| Net Income | $ 0.46 | $ 0.26 | $ 0.98 | $ 0.49 |
| Weighted Average Shares Outstanding | 27,742 | 27,311 | 27,648 | 27,277 |

# Consolidated Statements of Cash Flows

Swift Energy Company and Subsidiaries

(Unaudited)
(in Thousands)

| | Period Ended June 30, 2004 | Period Ended June 30, 2003 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Net income | $ 27,486 | $ 13,329 |
| Non-cash revenue and expense items | 51,594 | 45,055 |
| Net change in operating assets and liabilities | (3,783) | (4,862) |
| Net Cash Provided by Operating Activities | 75,297 | 53,522 |
| Cash Flows from Investing Activities: | | |
| Additions to property and equipment | (85,926) | (62,261) |
| Proceeds from the sale of property and equipment | 1,275 | 755 |
| Net cash distributed as operator of oil and gas properties | (5,781) | (1,956) |
| Net cash received (distributed) as operator of partnerships and joint ventures | 224 | (255) |
| Other | (18) | (86) |
| Net Cash Used in Investing Activities | (90,226) | (63,803) |
| Cash Flows from Financing Activities: | | |
| Proceeds from long-term debt | 150,000 | — |
| Payments of long-term debt | (32,076) | — |
| Net proceeds from (payments of) bank borrowings | (15,900) | 7,500 |
| Net proceeds from issuances of common stock | 2,923 | 1,091 |
| Payments of debt issuance costs | (4,205) | — |
| Net Cash Provided by Financing Activities | 100,742 | 8,591 |
| Net Increase (Decrease) in Cash and Cash Equivalents | $ 85,813 | $ (1,690) |
| Cash and Cash Equivalents at Beginning of Period | 1,066 | 3,816 |
| Cash and Cash Equivalents at End of Period | $ 86,879 | $ 2,126 |

# 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

Deanna L. Cannon
President
Cannon & Company CPA's PLC

G. Robert Evans
Retired Chairman & CEO
Material Sciences Corporation

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

Greg Matiuk
Retired Executive Vice President
Administration & Corporate Services
ChevronTexaco Corporation

Henry C. Montgomery
Chairman & Founder
Montgomery Financial Services Corporation

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

Raymond O. Loen
Director Emeritus

## OFFICERS

Terry E. Swift
President
Chief Executive Officer

Joseph A. D'Amico
Executive Vice President
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
Vice President–Production Operations

Thomas E. Schmidt
Vice President–Exploitation & Development

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

Adrian D. Shelley
Treasurer

David W. Wesson
Controller

D. Wynn Ibach
General Counsel

## CORPORATE HEADQUARTERS

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Houston, Texas 77060-6098
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## INDEPENDENT ACCOUNTANTS

Ernst & Young
1401 McKinney Street, Suite 1200
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"

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

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