HOLOGIC INC
Form DEF 14A
January 20, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement.
¨ **Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2)).**
x Definitive Proxy Statement.
¨ Definitive Additional Materials.
¨ Soliciting Material Pursuant to §240.14a-12.

HOLOGIC, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.
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(1) Title of each class of securities to which transaction applies:
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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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¨ Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

HOLOGIC, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

MARCH 2, 2011

TO THE STOCKHOLDERS OF HOLOGIC, INC.:

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of Hologic, Inc., a Delaware corporation (the Company), will be held on March 2, 2011 at 8:30 a.m., local time, at the offices of the Company, 35 Crosby Drive, Bedford, Massachusetts 01730 for the following purposes:

1. To consider and act upon the election of the nine (9) nominees identified in the accompanying proxy statement to serve as directors for the ensuing year.

2. To hold an advisory vote on executive compensation.

3. To hold an advisory vote on the frequency of holding an advisory vote on executive compensation.

4. To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm.

5. To transact such other business as may properly come before the meeting or any adjournment thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this Notice.

The Board of Directors has fixed the close of business on January 7, 2011 as the record date. Only stockholders of record at the close of business on the record date are entitled to notice of, and to vote at, the meeting and any adjournment or postponement thereof. All stockholders are cordially invited to attend the meeting.

We are pleased to take advantage of the Securities and Exchange Commission rule allowing companies to furnish proxy materials to their stockholders on the Internet. We believe this e-proxy process, also known as notice and access, expedites stockholders receipt of proxy materials, lowers our printing and mailing costs and reduces the environmental impact of producing the materials for our annual meeting. On or about January 20, 2011, we will mail to our stockholders of record as of January 7, 2011 a notice containing instructions on how to access our proxy statement and annual report on the Internet and also how to vote their shares via the Internet. If you received a notice by mail you will not receive a printed copy of the proxy materials unless you specifically request them. Both the notice and this proxy statement contain instructions on how you can request a paper copy of the proxy statement and annual report.

The Board of Directors appreciates and encourages stockholder participation in the Company s affairs. Whether or not you plan to attend the meeting, it is important that your shares be represented. Accordingly, we request that as soon as possible, you either:

(a) vote via the Internet pursuant to the instructions provided in the Notice; or

(b) request printed copies of the proxy materials by mail pursuant to the instructions provided in the Notice, and either:

(i) complete, sign, date and return the proxy card you will receive in response to your request; or

(ii) vote via telephone (toll-free) in the United States or Canada, in accordance with the instructions on your proxy card.

By order of the Board of Directors

Mark J. Casey, *Secretary*

Bedford, Massachusetts

January 18, 2011

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MARCH 2, 2011: The Proxy Statement, the Hologic Annual Report for the fiscal year ended September 25, 2010 and the Proxy Card are available at *www.proxyvote.com*.

HOLOGIC, INC.

PROXY STATEMENT

2011 ANNUAL MEETING OF STOCKHOLDERS

March 2, 2011

INFORMATION CONCERNING SOLICITATION AND VOTING

This proxy statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Hologic, Inc., a Delaware corporation, for use at the annual meeting of stockholders to be held on March 2, 2011 at 8:30 a.m., local time, at our offices, 35 Crosby Drive, Bedford, Massachusetts 01730, or at any adjournments or postponements thereof.

Record Date

The Board of Directors has fixed the close of business on January 7, 2011 as the record date (the Record Date). Accordingly, only holders of record of our common stock, $.01 par value per share (Common Stock), as of the close of business on the Record Date will be entitled to notice of, and to vote at, the annual meeting or any adjournment or postponement thereof. As of the Record Date, an aggregate of 260,364,886 shares of our Common Stock were issued, 219,033 of which are held in treasury, and an aggregate of 260,145,853 shares of our Common Stock were outstanding. The holders of our Common Stock are entitled to one vote per share on any proposal presented at the annual meeting.

Business to be Transacted

At the annual meeting, stockholders will act upon the following proposals:

1. To consider and act upon the election of the nine (9) nominees identified in the accompanying proxy statement to serve as directors for the ensuing year.

2. To hold an advisory vote on executive compensation.

3. To hold an advisory vote on the frequency of holding an advisory vote on executive compensation.

4. To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm.

5. To transact such other business as may properly come before the meeting or any adjournment thereof.

Board of Directors Recommendation for Voting on the Proposals

The Board of Directors recommends a vote FOR each of the nominees for director, a vote FOR approving, on an advisory basis, the compensation of the named executive officers, a vote FOR approving, on an advisory basis, the option of once every year as the frequency with which stockholders are provided an advisory vote on executive compensation, and a vote FOR ratifying the appointment of Ernst & Young LLP (Ernst & Young) as the Company s independent registered public accounting firm.

Voting of Shares by Proxy

Stockholders may vote in person or by proxy. Execution of a proxy will not in any way affect a stockholder s right to attend the annual meeting and vote in person. Any proxy given pursuant to this solicitation may be revoked by the person giving it any time before it is voted. Proxies may be revoked by (1) filing with our Secretary, before the taking of the vote at the annual meeting, a written notice of revocation bearing a date later than the date of such proxy, (2) duly executing a later dated proxy relating to the same shares and delivering it to our Secretary before the taking of the vote at the annual meeting or (3) attending the annual meeting and voting in person (although attendance at the annual meeting will not in and of itself constitute a revocation of a proxy). If your shares are held in street name, that is, you hold your shares in an account with a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from your broker or other holder of record, to be able to vote at the annual meeting. Any written notice of revocation or subsequent proxy should be sent so as to be delivered to Hologic, Inc., 35 Crosby Drive, Bedford, MA 01730, Attention: Secretary, at or before the taking of the vote at the annual meeting.

Quorum and Votes Required

The representation in person or by proxy of at least a majority of the outstanding shares of Common Stock entitled to vote at the annual meeting is necessary to establish a quorum for the transaction of business at the annual meeting. Votes withheld, abstentions and broker non-votes are counted as present or represented for purposes of determining the presence or absence of a quorum. A non-vote occurs when a broker holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because, in respect of such other proposal, the broker does not have discretionary voting power and has not received instructions from the beneficial owner.

Election of directors and the advisory vote on the frequency of holding an advisory vote on executive compensation will be determined by a plurality of the votes cast by stockholders entitled to vote at the annual meeting. On all other matters being submitted to stockholders, the affirmative vote of a majority of shares present, in person or represented by proxy, and voting on each such matter at the annual meeting is required for approval.

An automated system tabulates the votes. The vote on each matter submitted to stockholders is tabulated separately. Abstentions and broker non-votes are included in the number of shares present or represented for purposes of quorum, but are not considered as shares voting or as votes cast with respect to any matter presented at the annual meeting. As a result, abstentions and broker non-votes will not have any effect on any of the matters being submitted to stockholders.

The persons named as the proxies, Robert A. Cascella and Glenn P. Muir, were selected by the Board of Directors and are officers and directors of Hologic. All properly executed proxies returned in time to be counted at the annual meeting will be voted. Any stockholder giving a proxy has the right to withhold authority to vote for any individual nominee to the Board of Directors by writing that nominee s name in the space provided on the proxy. In addition to the election of Directors, the stockholders will consider and vote upon a proposal to ratify the appointment of Ernst & Young as the Company s independent registered public accounting firm. In addition, the stockholders will consider and hold an advisory vote on executive compensation and hold an advisory vote on the frequency of holding an advisory vote on executive compensation. **All proxies will be voted in accordance with the stockholders instructions, and if no choice is specified, the accompanying proxy card (or any properly signed and dated copy thereof) will be voted as recommended by the board as set forth in the accompanying notice of annual meeting of stockholders.**

Other Business

The Board of Directors knows of no other matter to be presented at the annual meeting. If any other matter should be presented at the annual meeting upon which a vote may properly be taken, shares represented by all proxies received by our Secretary will be voted with respect thereto in accordance with the judgment of the persons named as the proxies.

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Requesting Proxy Materials by Mail

If you prefer to receive paper copies of the proxy materials, you can still do so. You may request a paper copy of the proxy materials by (i) calling 1-800-579-1639; (ii) sending an email to *sendmaterial@proxyvote.com*; or (iii) logging onto *www.proxyvote.com*. The Notice also provides you with these instructions on how to request printed copies of the proxy materials. There is no charge to receive the materials by mail. You may request printed copies of the materials until one year after the date of the annual meeting.

INTERNET AVAILABILITY OF PROXY MATERIALS

Under rules adopted by the SEC, we are furnishing proxy materials to our stockholders primarily via the Internet, instead of mailing printed copies of those materials to each stockholder. On or about January 20, 2011, we will mail to our stockholders (other than those who previously requested electronic or paper delivery) an Important Notice Regarding the Availability of Proxy Materials (Notice) containing instructions on how to access our proxy materials, including our proxy statement and our annual report. The Notice also instructs you on how to access your proxy card to vote through the Internet or by telephone.

This process is designed to expedite stockholders receipt of proxy materials, lower the cost of the annual meeting and help conserve natural resources. However, if you would prefer to receive printed proxy materials, please follow the instructions included in the Notice and this proxy statement. If you have previously elected to receive our proxy materials electronically, you will continue to receive these materials via e-mail until you elect otherwise. If you have previously elected to receive printed proxy materials, you will continue to receive these materials in paper format until you elect otherwise.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Nine (9) directors are to be elected at the annual meeting. Our Board of Directors (referred to herein as the Board), upon the recommendation of the Nominating and Corporate Governance Committee, has nominated the persons listed below for election as directors. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Board s nominees named below. All nominees are currently our directors. In the event that any nominee is unable or declines to serve as a director at the time of the annual meeting, the proxies will be voted for the nominee, if any, who shall be designated by the present Board to fill the vacancy. Each nominee has consented to serving as a director if elected. The proposed nominees are being nominated in accordance with the provisions of our bylaws, and not pursuant to any other arrangement or understanding with any person. The term of office of each person elected as a director will continue until the next annual meeting of stockholders or until a successor has been elected and qualified.

Vote Required

Directors are elected by a plurality of the votes cast by stockholders entitled to vote at the annual meeting. Abstentions and broker non-votes will not have any effect on this proposal.

Recommendation of the Board

Our Board of Directors unanimously recommends that you vote *FOR* the nominees listed below.

Set forth below is certain biographical information regarding the nominees as of January 7, 2011, as well as the experiences, qualifications, attributes or skills that caused the Nominating and Corporate Governance Committee and the Board to determine that the person should serve as a director:

Name	Age	Position	Director Since
John W. Cumming	65	Chairman of the Board and Executive Officer	2001
Robert A. Cascella	56	President, Chief Executive Officer and Director	2008
Glenn P. Muir	51	Executive Vice President, Finance and Administration, Chief Financial Officer and Director	2001
Sally W. Crawford (4)	57	Director	2007
David R. LaVance, Jr. (1)(2)(3)(4)(5)	56	Director	2002
Nancy L. Leaming (3)(4)	63	Director	2003
Lawrence M. Levy (1)(2)(3)	72	Director	2005
Elaine S. Ullian (1)(4)	63	Director	2007
Wayne Wilson (2)(3)(4)	61	Director	2007

(1) Member of our Nominating and Corporate Governance Committee
(2) Member of our Corporate Development Committee

(3) Member of our Audit Committee
(4) Member of our Compensation Committee
(5) Lead Independent Director

Mr. Cascella has been one of our directors since June 2008. He has served as the our Chief Executive Officer since November 2009. He joined us in February 2003 as Chief Operating Officer and was promoted to President in September 2003. Prior to joining us, from 1998 to 2003, Mr. Cascella was a managing partner of CFG Capital LLC, an investment banking firm specializing in healthcare. Prior to joining CFG Capital, from 1995 to 1998, Mr. Cascella was Chief Operating Officer and Vice President of Finance for NeoVision Corporation, a developer of 3D ultrasound technology used for real-time guidance of interventional breast procedures. Mr. Cascella received a B.S. in Finance from Fairfield University in 1978. As our Chief Executive Officer, Mr. Cascella has direct responsibility for the Company s strategy and operations. This position, together with his many years of experience in the healthcare industry, make him an invaluable contributor to the Board.

Ms. Crawford became one of our directors effective upon our merger with Cytyc on October 22, 2007, having previously served as a director of Cytyc since January 1998. From April 1985 until January 1997, Ms. Crawford served as Chief Operating Officer of Healthsource, Inc., a publicly held managed care organization headquartered in New Hampshire. During her tenure at Healthsource, Inc., Ms. Crawford held a variety of positions and responsibilities, including leading that company s Northern Region operations and marketing efforts. Since January 1997, Ms. Crawford has been a health care consultant in New Hampshire. Ms. Crawford serves as a director of Universal American Corporation, Exact Sciences Corporation, Zalicus, Inc. and Insulet Corporation. Ms. Crawford served as a director of Chittenden Corporation from 1998 to 2008. Ms. Crawford s service in various senior executive positions in the managed care sector and her continuing healthcare consulting practice contribute to her significant management and leadership experience and expertise in operational, regulatory and related disciplines applicable to our business and operations.

Mr. Cumming was appointed as Chairman in May 2008 and currently serves as Chairman and an executive officer focused on international and strategic development. He served as our Chief Executive Officer and director from July 2001 through November 2009. From August 2000, when Mr. Cumming joined us, to July 2001, Mr. Cumming held the positions of Senior Vice President and President, Lorad. Prior to joining us, Mr. Cumming served as President and Managing Director of Health Care Markets Group, a strategic advisory and investment banking firm that he founded in 1984. Mr. Cumming currently serves on the Board of Trustees of Bentley University. As our former Chief Executive Officer and continuing senior executive focusing on strategic initiatives, Mr. Cumming brings to the Board his seasoned perspective and practical insights regarding our business, operations and strategy.

Mr. LaVance has been one of our directors since December 2002 and was elected Lead Independent Director of our Board in 2008. Since 2003, Mr. LaVance has served as the Chairman of the Board of Directors, CEO and President of Scivanta Medical Corporation, a developer of specialized medical products with a focus on cardiac technologies. Since 1997, Mr. LaVance has served as President of Century Capital Associates LLC, an investment banking firm that he founded specializing in biosciences fields. From 1995 to 1997, Mr. LaVance was a Managing Director for KPMG Health Ventures, the life sciences consulting practice of the KMPG accounting firm. Mr. LaVance s mix of leadership, management, strategic and finance skills and experience, together with his focus on medical device and life sciences companies, enable him to provide important experience and insights to the Board.

Ms. Leaming has been one of our directors since September 2003. Ms. Leaming, an independent consultant, was the Chief Executive Officer and President of Tufts Health Plan, a provider of healthcare insurance, from 2003 to 2005. Prior to that, Ms. Leaming served as Tufts Health Plan s President and Chief Operating Officer from 1998 to 2003, the Chief Operating Officer from 1995 to 1998 and the Chief Operating Officer/Chief Financial Officer from 1986 to 1995. Ms. Leaming currently serves as a director of the Board of the American Red Cross of Massachusetts Bay, Edgewater Technology, Inc. and Biogen Idec, Inc. Ms. Leaming has well-developed leadership skills and financial acumen and provides insights into the healthcare reimbursement and payor market, where she spent 20 years in senior operational, financial and managerial roles.

Mr. Levy has been one of our directors since December 2005. Mr. Levy retired from the position of Senior Counsel at Brown Rudnick LLP, an international law firm, in January 2011. Mr. Levy had been Senior Counsel at Brown Rudnick since February 2005 and, for more than 30 years before that, had been a Partner at the firm, specializing in Corporate and Securities Law. Mr. Levy served as our Secretary from our formation in 1985 until December 2005. Mr. Levy is also a director of Option N.V. of Belgium, Scivanta Medical Corporation and the Facing History and Ourselves National Foundation. Mr. Levy received a B.A. from Yale University and a LLB from Harvard Law School. Mr. Levy is a seasoned corporate attorney with extensive experience in representing public and private companies in the United States and abroad. Mr. Levy chaired Brown Rudnick s International Practice Group and, in 1997, opened Brown Rudnick s London office, dividing his time between the firm s London and Boston offices for more than 13 years. Mr. Levy s broad legal and cross-border transactional experience enables him to provide valuable insights and perspectives to the Board.

Mr. Muir, a certified public accountant, was appointed to our Board in July 2001, and has held the position of Executive Vice President, Finance and Administration since September 2000. Mr. Muir has been our Chief Financial Officer since 1992. Mr. Muir served as the Company s Controller from the time he joined us in October 1988 through 1992. Mr. Muir received an M.B.A. from the Harvard Graduate School of Business Administration in 1986. As our Executive Vice President and Chief Financial Officer, Mr. Muir is an integral member of our senior management team, with extensive experience in finance and financial reporting. In addition to serving as Chief Financial Officer, Mr. Muir is an active participant in the oversight of our operations and formulation and implementation of our strategic initiatives. His mix of finance, operational and strategic expertise provide important contributions to the Board.

Ms. Ullian has been one of our directors since October 22, 2007. Ms. Ullian served as President and Chief Executive Officer of Boston Medical Center, the successor of Boston University Medical Center Hospital from 1996 until her retirement in January 2010. In April 1994, Ms. Ullian was appointed President and Chief Executive Officer of Boston University Medical Center Hospital. From January 1987 to March 1994, Ms. Ullian held the position of President and Chief Executive Officer of Faulkner Corporation/Faulkner Hospital. She holds two academic appointments: Associate Professor at Boston University School of Medicine; lecturer at Harvard University School of Public Health. Ms. Ullian also serves as a director of Vertex Pharmaceuticals Incorporated and Thermo Fisher Scientific Inc. Ms. Ullian previously served as one of our directors from 1996 to 2003 and served as a director of Valeant Pharmaceuticals International, Inc. from 2004 to 2008. In her professional capacity as former Chief Executive Officer/President of 3 hospitals, including two major academic medical centers, Mrs. Ullian brings knowledge and understanding of Hologic s customer base, their priorities and challenges especially under Health Care Reform. All 3 institutions led by Mrs. Ullian over a 25 year period had a strong commitment to accessible health care, and a particular focus on women s health services. As a person whose career had been dedicated to the provision of clinical care services to patients, she brings an important perspective to the Board.

Mr. Wilson became one of our directors effective upon our merger with Cytyc on October 22, 2007, having previously served as a director of Cytyc since 2003. Mr. Wilson has been an independent business advisor since 2002. From 1995 to 2002, Mr. Wilson served in various roles, including as President, Chief Operating Officer, and Chief Financial Officer, at PC Connection, Inc., a Fortune 1000, direct marketer of information technology products and services. From 1986 to 1995, he was a partner in the assurance and advisory services practice of Deloitte & Touche LLP. Mr. Wilson also serves as a director of Edgewater Technology, Inc. and ARIAD Pharmaceuticals, Inc. Mr. Wilson s qualifications to serve on the Board include his extensive experience in financial accounting and reporting and his ability to evaluate financial results and generally oversee the financial reporting process of a publicly traded corporation.

EXECUTIVE OFFICERS

The names of our executive officers, who are not directors, along with certain biographical information furnished by them, are set forth below:

Name	**Age**	**Title**
David J. Brady	51	Senior Vice President, Human Resources
Mark J. Casey	47	Senior Vice President, General Counsel and Secretary
David P. Harding	45	Senior Vice President and General Manager, International
Peter K. Soltani	50	Senior Vice President and General Manager, Breast Health
Jay A. Stein	68	Chairman Emeritus, Senior Vice President and Chief Technical Officer
Steven S. Williamson	38	Senior Vice President and General Manager, GYN Surgical Products

Executive officers are chosen by and serve at the discretion of our Board of Directors.

Mr. Brady joined us in May 1995 as Manager, Human Resources and served as such until January 1998 when he was promoted to Director, Human Resources. Following this promotion in September 2000 he was promoted to Vice President, Human Resources & Facilities Administration. In February, 2003, Mr. Brady was appointed Senior Vice President, Global Human Resources & Facilities Administration. Prior to joining us Mr. Brady served as Manager of Human Resources at IPL Systems.

Mr. Casey joined us in October 2007 in connection with our merger with Cytyc. Mr. Casey is our Senior Vice President, General Counsel and Secretary. Prior to joining us, Mr. Casey held the position of Vice President, Deputy General Counsel and Chief Patent Counsel at Cytyc where he joined in 2002 as Assistant General Counsel and Chief Patent Counsel. Prior to joining Cytyc, Mr. Casey served as an attorney for Boston Scientific from 1998-2002 and EMC Corporation from 1996-1998. Mr. Casey joined Digital Equipment Corporation s (DEC) law department in 1992, where he served until 1996. Prior to this, Mr. Casey held various engineering positions with DEC and AT&T Network Systems from 1985 through 1992. Mr. Casey received a B.S. in Electrical Engineering from Syracuse University and a J.D. from Suffolk University.

Mr. Harding joined us in October 2007 in connection with our merger with Cytyc. Mr. Harding is our Senior Vice President and General Manager, International, a role he assumed in early 2010. Prior to this, he was Senior Vice President and General Manager of our Interventional Breast Solutions business. While at Cytyc, Mr. Harding was Senior Vice President and President, Cytyc International and, prior to that, Vice President of Marketing. From 1993 to 2004, Mr. Harding was an Associate and then Principal at McKinsey & Company, where he served as a strategy consultant in a variety of industries with a focus on sales and marketing management. Prior to McKinsey, Mr. Harding was in a variety of engineering roles at JAE Oregon and Rockwell International. Mr. Harding earned his MBA from the Wharton School of the University of Pennsylvania and his Bachelor of Science degree in Aerospace Engineering from the University of Southern California.

Dr. Soltani joined us in November 2000 as Vice President and General Manager of Direct Radiography Corp. and served as such until September 30, 2007, when he was appointed to manage our Breast Health line of business. He currently serves as Senior Vice President and General Manger Breast Health. Prior to joining us, Dr. Soltani served as General Manager, NDT Business Group, Digital Systems at AGFA Corporation from 1999 to November 2000. From 1994 to 1999, Dr. Soltani served as General Manager, Imaging Systems Division of Liberty Technologies, a division of Crane Nuclear, Inc. Prior to joining Liberty Technologies, Dr. Soltani was with Quantex Corporation, serving as Vice President, Technology from 1992 to 1994, Director, Product

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Development from 1990 to 1992 and as a Senior Staff Scientist from 1986 to 1990. Dr. Soltani is the principal author or co-author of a number of patents related to digital imaging technologies and has published numerous articles on digital imaging. Dr. Soltani received a Ph.D. in Materials Engineering from the University of Maryland in 1994.

Dr. Stein, a co-founder, Chairman Emeritus, Senior Vice President and the Chief Technical Officer of the Company, has served as Executive or Senior Vice President and Chief Technical Officer of the Company since its organization in October 1985. Dr. Stein served as a director of the Company from October 1985 through October 2007, including as Chairman of the Company s Board from June 2001 to November 2002. Since October 2007 he has served as Chairman Emeritus pursuant to which he continues to participate in meetings of the Board. Dr. Stein received a Ph.D. in Physics from The Massachusetts Institute of Technology. He is the principal author of nineteen patents involving X-ray technology.

Mr. Williamson joined us in October 2007 in connection with our merger with Cytyc. Mr. Williamson is our Senior Vice President and General Manager, GYN Surgical Products, responsible for managing our surgical line of business. Mr. Williamson served NovaCept as a Territory Manager before NovaCept was acquired by Cytyc in March 2004. At Cytyc, Mr. Williamson performed various sales, marketing, and sales management roles before his promotion to Vice President of Sales in January of 2006. Mr. Williamson held this role until January 2009 when he was promoted to Vice President of Sales and Marketing for GYN Surgical Products. His promotion to Senior Vice President occurred in December 2009. Prior to joining NovaCept, Mr. Williamson held a range of sales and marketing positions, most notably with the Endoscopic Technologies group of C.R. Bard, Inc. Mr. Williamson holds a M.B.A. from Bentley College and a B.B.A. from the Isenberg School of Management at the University of Massachusetts.

GOVERNANCE OF OUR COMPANY

The Board of Directors has a standing Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Corporate Development Committee. The Board is composed of a majority of independent directors, and all of the committees are composed entirely of independent directors, as such term is defined in the listing standards of The Nasdaq Stock Market. The Board has determined that the following directors are independent, according to the above definition: Nancy Leaming, David LaVance, Lawrence Levy, Elaine Ullian, Sally Crawford and Wayne Wilson. In addition, the Audit Committee is composed entirely of independent directors as such term is defined in Section 10A(m)(3) of the Securities Exchange Act of 1934. In making its independence determination with respect to Mr. Levy, the Board considered Mr. Levy s position as senior counsel at Brown Rudnick, a law firm to whom we paid more than $200,000 in legal services during fiscal year 2010. In January 2011, Mr. Levy retired from Brown Rudnick. Because Mr. Levy did not perform any legal services on behalf of the Company in his capacity as senior counsel at Brown Rudnick and did not derive any compensation from Brown Rudnick based upon fees paid by the Company to Brown Rudnick, the Board concluded that this relationship did not interfere with the ability of Mr. Levy to be independent from management and to act in our best interests and the interest of our stockholders.

The Board has adopted a charter for each of the four standing committees that addresses the make-up and functioning of such committee. The Board has also adopted corporate governance guidelines, a code of business conduct that applies to all of our employees, officers and directors and a code of ethics (included in the code of business conduct) that applies specifically to senior financial officers. The charters for each of the four standing committees, the corporate governance guidelines, and the code of business conduct, including the code of ethics for senior financial officers, are all publicly available on the Company s website at *www.hologic.com*.

Board Leadership Structure

We separate the role of Chief Executive Officer from the leadership of our Board in recognition of the different roles of each position and to foster independent leadership of our Board. As our Chairman of the Board

is currently an executive officer, we have designated a Lead Independent Director from among the independent members of the Board, to be the leader of our Board. In such position, the Lead Independent Director, as further described below, chairs and presides over meetings of the Board, serves as a liaison between the independent directors and management, and otherwise serves as the functional equivalent of an independent Chairman of the Board.

The Nominating and Corporate Governance Committee of the Board is responsible for recommending a candidate for the position of Lead Independent Director from the independent members of the Board. The independent directors (acting by a vote of the majority of independent directors then serving on the Board) are responsible for approving and appointing the Lead Independent Director. The Lead Independent Director is elected at least once on an annual basis, generally at the Board meeting in conjunction with each annual meeting of stockholders. Currently Mr. LaVance is designated as the Lead Independent Director. A written charter adopted by the Board establishes the authority and responsibilities of the Lead Independent Director. They include:

- advise and consult with the Chief Executive Officer, senior management and the Chairperson of each committee of the Board, as to the appropriate information, agendas and schedules of Board and committee meetings;
- advise and consult with the Chief Executive Officer and senior management as to the quality, quantity and timeliness of the information submitted by management to the independent directors;
- recommend to the Chief Executive Officer and the Board the retention of advisers and consultants to report directly to the Board;
- call meetings of the Board or executive sessions of the independent directors;
- develop the agendas for and preside over executive sessions of the Board s independent directors;
- serve as principal liaison between the independent directors, and the Chief Executive Officer and senior management, on sensitive issues, including the review and evaluation of the Chief Executive Officer;
- coordinate with the independent directors in respect of each of the foregoing; and
- preside over meetings of the Board.

The Lead Independent Director Description is publicly available on the Company s website at *www.hologic.com*.

Risk Oversight

Our Board is responsible for risk oversight. A fundamental part of risk oversight is to understand the risks our Company faces, the steps management is taking to manage those risks and to assess our appetite for risk. Risk management systems, including our internal and external auditing procedures, internal controls over financial reporting and corporate compliance programs, are designed in part to inform management about our material risks. It is management s responsibility to manage risk and bring to the Board s attention material risks facing our Company. Our Board receives regular reports from management on matters relating to strategic and operational initiatives, financial performance and legal developments, including the enterprise-risk exposures related thereto. The involvement of the Board in the oversight of our strategic planning process is a key part of its assessment of the risks inherent in our corporate strategy. While the Board has overall responsibility for risk oversight, the Board delegates to its committees responsibility for oversight of risks associated with each committee s respective areas of responsibility.

At the Compensation Committee s direction, our Senior Vice President of Human Resources, Vice President of Human Resources and other members of the human resources and finance department in conjunction with the Committee s independent compensation consultant and the Company s outside legal counsel conducted a risk assessment of our compensation programs, including our executive compensation programs. The Committee and its independent compensation consultant reviewed and discussed the assessment, and the Committee concurred with management s assessment, that the Company s compensation programs do not create risks that are reasonably likely to have a material adverse effect on the Company.

Meetings of the Board of Directors and its Committees

The Board met fifteen (15) times during the fiscal year ending September 25, 2010, and except for Mr. Cumming who attended 67 percent of the total number of meetings, each of our directors attended at least 75 percent of the total number of meetings of the Board and all committees of the Board on which he or she served. The majority of Mr. Cumming s absences were as a result of traveling on business of the Company, as Mr. Cumming s responsibilities have been focused on the Company s international and strategic development. During fiscal 2010, the independent directors of the Board met in executive session during each of the Board s quarterly regular meetings and at such other Board and Committee meetings as the independent directors elected.

Director Nomination Process

As provided in its charter, the Nominating and Corporate Governance Committee is responsible for identifying individuals qualified to become directors. The Nominating and Corporate Governance Committee seeks to identify director candidates and may rely on input provided by a number of sources, including the Nominating and Corporate Governance Committee members, our other directors or officers, our stockholders, and third parties such as professional search firms.

In evaluating potential candidates for director, the Nominating and Corporate Governance Committee considers the entirety of each candidate s credentials including: character and integrity, business acumen, age, experience, commitment and diligence. The Nominating and Corporate Governance Committee considers diversity as one of a number of factors in identifying nominees for director. It does not, however, have a formal policy in this regard. The Nominating and Corporate Governance Committee views diversity broadly to include diversity of experience, skills and viewpoint. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. The Committee believes that the backgrounds and qualifications of the directors considered as a group should provide a significant breadth of experience, knowledge and abilities to assist the Board in fulfilling its responsibilities. Generally, directors should be individuals who have succeeded in their particular field and who demonstrate integrity, reliability, knowledge of corporate affairs and an ability to work well with others. The Nominating and Corporate Governance Committee also considers such other relevant factors as it deems appropriate, including the current composition of the Board.

The Nominating and Corporate Governance Committee will consider stockholder recommendations for candidates for the Board using the same criteria described in the preceding paragraph. The name of any recommended candidate for director, together with a brief biographical sketch, a document indicating the candidate s willingness to serve, if elected, and evidence of the nominating stockholder s ownership of Company stock should be sent to the attention of the Corporate Secretary, Hologic, Inc., 35 Crosby Drive, Bedford, MA 01730. If you wish to formally nominate a candidate you must follow the procedures described in Section 1.4 of our bylaws.

Audit Committee

The Audit Committee is responsible for assisting our Board in the oversight of (i) our financial reporting process, accounting functions, internal audit functions and internal controls over financial reporting, and (ii) the qualifications, independence, appointment, retention, compensation and performance of our independent registered public accounting firm. In addition, the Audit Committee, among other things, reviews and approves related party transactions (unless such review and approval has been delegated to another committee consisting solely of independent directors).

None of the current members of the Audit Committee are employees of our company and our Board has determined that each member of the Audit Committee is independent (as independence is defined in the current listing standards of the Nasdaq Stock Market and Section 10A(m)(3) of the Securities Exchange Act of 1934). The Audit Committee met thirteen (13) times during fiscal year 2010. Ms. Leaming and Messrs. Wilson, LaVance and Levy are the current members of the Audit Committee, and Ms. Leaming serves as Chairperson.

Audit Committee Financial Expert. The Board has determined that each of Messrs. Wilson and LaVance and Ms. Leaming qualify as an audit committee financial expert, as that term is defined in Item 407(d) of Regulation S-K, and independent for purposes of current listing standards of The Nasdaq Stock Market and Section 10A(m)(3) of the Securities Exchange Act of 1934.

Compensation Committee

The primary functions of the Compensation Committee include (i) reviewing and approving the compensation for each of our executive officers and such other of our senior officers as the Compensation Committee deems appropriate, (ii) evaluating the performance, as it relates to their compensation, of the Chief Executive Officer, the other executive officers and such other senior officers as the Committee deems appropriate, (iii) overseeing the administration and the approval of grants and terms of equity awards under our equity-based compensation plans, which may include the delegation of such authority for the purpose of issuing equity incentives to our non-executive officers, (iv) reviewing and approving other compensation plans as the Committee deems appropriate, (v) general oversight of risks associated with our compensation policies and practices, and (vi) approving and/or recommending compensation for members of the Board, and each Committee thereof, for review and approval by the Board. The Board and Compensation Committee may delegate limited authority to executive officers or other directors of the Company to grant equity awards to non-executive officers. Currently, David J. Brady, our Senior Vice President, Human Resources, has been delegated such authority, subject to terms, conditions and limitations previously approved by the Compensation Committee and the Board, with each of Messrs. Cascella and Muir authorized to serve as an alternate to Mr. Brady at times when Mr. Brady is not otherwise available.

The Compensation Committee met fourteen (14) times during fiscal year 2010.

Compensation Committee Interlocks and Insider Participation. The current members of the Compensation Committee are Ms. Crawford, Ms. Ullian, Ms. Leaming and Messrs. LaVance and Wilson, and Ms. Crawford serves as Chairperson. No member of the Compensation Committee is or has ever been an executive officer or employee of our company (or any of its subsidiaries) and no compensation committee interlocks existed during fiscal year 2010.

For further information about our processes and procedures for the consideration and determination of executive and director compensation, please see Executive Compensation Compensation Discussion and Analysis, below.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for recommending to the Board potential candidates to be nominated for election or appointment as our directors as well as consideration of issues relating to the corporate governance of our company, including evaluating the performance of the Board and its committees, developing and periodically reviewing our corporate governance guidelines, reviewing and recommending to the Board any changes to the committee charters, recommending the membership and chair of our Board committees and leading the succession planning process for our executive officers. The Nominating and Corporate Governance Committee also considers suggestions regarding possible candidates for director as described above under Director Nomination Process.

The Nominating and Corporate Governance Committee met seven (7) times during fiscal year 2010. Ms. Ullian and Messrs. Levy and LaVance are the current members of the Nominating and Corporate Governance Committee, and Mr. LaVance serves as Chairperson.

Corporate Development Committee

The Corporate Development Committee was formed in September 2004 to assist the Board in its oversight of strategic and investment transactions, financing activities and such other matters of a strategic nature as may be delegated to it from time to time by the Board.

The Corporate Development Committee met seven (7) times during fiscal year 2010. Messrs. LaVance, Wilson and Levy are the members of the Company s Corporate Development Committee, and Mr. Levy serves as Chairperson.

Code of Ethics

Pursuant to Section 406 of the Sarbanes-Oxley Act of 2002, we have, as a part of our Code of Business Conduct, adopted a Code of Ethics for Senior Financial Officers that applies to our principal executive officer, principal financial officer, principal accounting officer, controller, and other persons performing similar functions.

Attendance by Directors at the Annual Meeting of Stockholders

Our Board has scheduled a Board meeting in conjunction with the annual meeting of stockholders. Our directors are encouraged to attend the annual meeting of stockholders on March 2, 2011. All directors then serving on our Board attended the annual meeting of stockholders held on March 3, 2010.

Stockholder Communications with the Directors

Stockholders may contact our Board of Directors and committees thereof by writing to them c/o Investor Relations, Hologic, Inc., 35 Crosby Drive, Bedford, MA 01730. All communications directed to our Board of Directors or a committee thereof will be delivered to our Board of Directors or the appropriate committee.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides an overview and analysis of our compensation programs, the compensation decisions we have made under those programs, and the factors we considered in making those decisions with respect to the compensation earned by the following individuals, who as determined under the rules of the SEC are collectively referred to herein as our named executive officers :

Robert A. Cascella, Chief Executive Officer, who assumed this office effective November 5, 2009;

John W. Cumming, who served as our Chairman and Chief Executive Officer until November 5, 2009 and thereafter as an executive officer and our Chairman;

Glenn P. Muir, Executive Vice President and Chief Financial Officer;

David P. Harding, Senior Vice President and General Manager, International;

Dr. Peter K. Soltani, Senior Vice President and General Manager, Breast Health; and

Steven S. Williamson, Senior Vice President and General Manager, GYN Surgical Products who was promoted to this position effective December 14, 2009.

Overview

Our compensation programs for our executives are designed to align compensation objectives with our business strategies and to encourage our executives to focus on creating sustainable, long-term growth and stockholder value. A key element of our human resource strategy is the design and implementation of compensation plans, programs and arrangements that: provide a comprehensive approach to executive compensation; provide competitive and differentiated levels of pay based on corporate and individual performance; help attract and retain superior executive talent; and reinforce the alignment of the interests of the members of our executive management team with those of our stockholders. To that end, we believe that our compensation plans should motivate high performance among our executive officers within an entrepreneurial, incentive-driven culture. We believe that compensation levels should reflect both our short-term and long-term performance objectives. With respect to our short-term performance, we believe that our compensation plans should provide the flexibility to reflect the extent to which goals are missed, met or exceeded, while taking into account external factors as well as an individual s ability to directly influence company results.

Since Mr. Cumming became our Chief Executive Officer in 2001, we have grown from a company of approximately 800 employees, $94 million in revenue and market capitalization of $80 million ($1.26 per share, as adjusted for stock splits) as of the completion of our 2001 fiscal year, to a company of approximately 4,200 employees, $1.679 billion in revenue and market capitalization of $4.3 billion ($16.66 per share) as of the completion of our 2010 fiscal year, for an annualized return to stockholders during that period of over 33%. During this period of extraordinary growth, Mr. Cumming was assisted by Robert Cascella, who joined the Company as Chief Operating Officer in 2003 and became our Chief Executive Officer in November 2009, and Mr. Muir, who served as Executive Vice President and Chief Financial Officer during the entire period. Today, we are known as a premier company focused on the healthcare needs of women, with the majority of our product lines having achieved and maintained number one positions in their respective markets. As a result of this historical growth and the high levels of performance of our executives in achieving this growth, we have traditionally sought to compensate our senior executive officers at comparable levels to those executives at the top tier of benchmarked data gathered from publicly available compensation information at peer group companies.

In the last three years, our larger size, coupled with the more recent uncertain macroeconomic and regulatory environment have combined to significantly constrain our growth. Nevertheless, during this challenging period, we have continued to maintain or improve our market share for most of our major product lines, and we have continued to look to the future through the development of new and improved products and the strategic acquisition of complementary businesses or product lines. In response to these challenges, the bonus component of our annual short-term incentive plans has been significantly reduced in the past two fiscal years, reflecting our short-term incentive plan multipliers being below target as performance goals were not achieved. Moreover, in November 2010, we elected to scale back the value of the annual long-term equity incentive grants made to our three most highly compensated executive officers, reflecting both a modification to our peer group in response to our current performance and a reduction of the benchmarking percentile as compared to this revised peer group. These reductions will be reflected in our fiscal 2011 compensation and are reported as supplementary information herein.

During the last three years, we have also undertaken to review and revise our compensation practices to reflect the changing economic and competitive environment and to further align the pay of our executive officers with our performance and business strategies. To that end, we have shifted our long-term annual equity incentive award mix to be more heavily weighted in value to performance-based stock options, moving such stock options from 50% in value of the annual awards in fiscal 2009, to 75% in value of the annual awards granted in fiscal 2010 and 2011. We also worked with our most senior executive officers to reduce the benefits under their change in control agreements, including: the replacement of so called single trigger with a double trigger for change of control payments, accelerating vesting and other benefits; the elimination of a special retention bonus; and the elimination, after December 31, 2011, of excise tax gross-up provisions.

In the face of the ongoing challenges posed by macroeconomic conditions and the changing healthcare regulatory environment, we believe it remains as critically important as ever to continue to provide our executives with a balance of competitive compensation and short-term and long-term incentives in order to help the company meet these challenges in the coming years. To that end, we plan to continue to review and adjust our compensation programs and practices on an ongoing basis in order to attract and retain the superior executive talent necessary to enable the company to maintain its competitive position, exploit additional market opportunities and lead us into the future. Set forth below is a more complete description of our compensation philosophy and objectives, and how each have been reflected in the implementation of our compensation programs and decisions.

Who oversees our executive compensation plans, programs and arrangements?

The compensation and benefit programs for our senior executives and our equity-based incentive compensation plans are overseen by the Compensation Committee (the Committee) of our Board. Committee membership is determined by our Board and, consistent with the listing requirements of the Nasdaq Global Select Market as well as Section 162(m) of the Internal Revenue Code (the Code), the Committee is composed entirely of independent, non-employee members of the Board. During our 2010 fiscal year, the Committee was comprised of Sally W. Crawford, David R. LaVance, Jr., Nancy L. Leaming, Elaine S. Ullian and Wayne Wilson. Ms. Crawford is the Chairperson of the Committee.

The Committee s responsibilities are specified in the Committee s charter. The Committee meets regularly throughout the year. At Committee meetings, non-Committee independent members of the Board and others such as the CEO, the Chief Financial Officer, the Senior Vice President of Human Resources and other senior human resource employees, legal officers or external consultants or counsel, may be invited to provide information, respond to inquiries of the Committee and generally provide support to the Committee. The Committee also works directly with senior employees in our human resources department, and with one or more independent compensation consulting firms that do not otherwise provide services to us.

During our 2010 fiscal year, which began on September 27, 2009 and ended on September 25, 2010, John W. Cumming served as our Chairman and Chief Executive Officer between September 27, 2009 and November 5, 2009. On November 5, 2009, our Board appointed Robert A. Cascella, who was then serving as our President and Chief Operating Officer, to the position of President and Chief Executive Officer, while Mr. Cumming became an executive officer and retained the title of Chairman.

During our 2010 fiscal year, Mr. Cascella, as our Chief Executive Officer, reviewed the performance and compensation of Mr. Cumming and Glenn P. Muir, our Executive Vice President and Chief Financial Officer, along with the Committee. Messrs. Cascella and Muir collectively reviewed the performance and compensation of the other named executive officers and certain other members of senior management. None of these officers participated in the deliberations of the Committee regarding his own compensation.

Mr. Muir provided input relating to the financial targets to be established for our short-term incentive plan described below, and provided data and analysis regarding the impact of the executive compensation programs on our financial performance.

Messrs. Cascella and Muir further assisted the Committee by providing their collective input on:

- the financial impact of the bonus pool under our short-term incentive plan and the awards under our long-term incentive plans;

the establishment of the short-term financial and non-financial performance goals that are used as benchmarks in many of our compensation plans; and

the compensation program s ability to attract, retain and motivate the level of executive talent necessary for our continued success.

What are our compensation principles?

We are a developer, manufacturer and supplier of premium diagnostics, medical imaging systems and surgical products dedicated to the healthcare needs of women. The healthcare industry in general, and the markets in which our products compete, are highly competitive and characterized by continual change and improvement in technology. Many of our competitors and potential competitors are larger and have greater financial resources than we do and offer a range of products broader than our products. We also compete for personnel with earlier stage companies that may offer attractive growth and equity compensation opportunities. Our ability to compete effectively in the markets within which we operate depends to a large extent on our success in identifying, recruiting, developing and retaining key management personnel.

A key element of our human resource strategy is the design and implementation of compensation plans, programs and arrangements that:

- provide a comprehensive approach to executive compensation;
- provide competitive and differentiated levels of pay based on corporate and individual performance;
- help attract and retain superior executive talent; and
- reinforce the alignment of the interests of the members of our executive management team with those of our stockholders.

Compensation Committee decisions are guided by the following basic principles:

Pay for performance We believe that our compensation plans should motivate high performance among our executive officers within an entrepreneurial, incentive-driven culture. We believe that compensation levels should reflect both our short-term and long-term performance objectives. With respect to our short-term performance, we believe that our compensation plans should provide the flexibility to reflect the extent to which goals are missed, met or exceeded, while taking into account external factors as well as an individual s ability to directly influence company results. We believe that with respect to our long-term performance, rewards realized under our long-term equity compensation plans should be driven largely by stockholder value;

Support our business strategy We aim to design compensation plans that align compensation objectives with our business strategies and that enable a focus on creating sustainable, long-term growth and stockholder value;

Pay competitively We aim to establish overall target compensation (compensation received when achieving expected results) that is competitive with that being offered to individuals holding comparable positions at other public companies with which we compete for business and talent; and

Focus on total compensation We seek to use a mix of all available compensation components including base salary, annual incentives, long-term incentives, benefits and perquisites, in designing competitive compensation packages.

Over time, we believe these principles will help us to successfully identify, recruit, develop and retain talented employees who are committed to our success.

What are our executive compensation objectives?

Consistent with the basic principles of our compensation philosophy, the Committee s compensation decisions with respect to our executive officers are guided by the following objectives, each of which is designed to facilitate our long-term success:

Drive superior performance Our compensation plans for executive officers are designed to encourage our leaders to achieve and exceed established performance targets;

Focus on long-term success Our compensation plans for executive officers include a variety of long-term incentive plans designed to encourage executives to focus on our long-term success and the creation of lasting stockholder value; and

Retain key executives Our compensation plans for executive officers are focused on enabling the retention of those executives who have demonstrated superior talent and performance and whose continued employment is important to our future success.

What components comprise our executive compensation programs?

The Committee determines the elements of our executive compensation program and has selected the following compensation elements (discussed in detail below) as the core components of our compensation program designed to promote our pay-for-performance philosophy and achieve our compensation program goals and objectives:

Short-Term Compensation Elements

Element	**Role and Purpose**
Base Salary	Attract and retain executives and reward their skills and contributions to the day-to-day management of our company.
Short-Term Incentive Plan (Cash Bonus)	Motivate the attainment of annual financial, strategic, operational and individual goals by paying bonuses determined by the achievement of specified performance targets.

Long-Term Compensation Elements

Element	**Role and Purpose**
Stock Options, Restricted Stock Unit Awards and our Supplemental Executive Retirement Plan	Motivate the attainment of long-term value creation, align executive interests with the interests of our stockholders, create accountability for executives to enhance stockholder value and promote long-term retention by providing for multi-year vesting schedules applicable to these awards.
Change of Control and Severance Agreements	Promote long-term retention and align the interests of executives with stockholders during the negotiation of a potential change of control transaction.

Benefits

Element	**Role and Purpose**
Employee Benefit Plans and Perquisites	Promote financial security and provide other benefits commensurate with those offered by peer group companies.

Additionally, the Committee has in special and limited circumstances entered into retention and/or transition agreements with its senior executive officers, typically in the context of a significant corporate event such as an acquisition or an important transition in the leadership of the company. Upon the completion of our transformational business combination with Cytyc Corporation in October 2007, we entered into a number of agreements with executive officers of both Cytyc and the company in order to facilitate the successful combination of the two entities. Most recently we entered into a transition agreement with Mr. Cumming in November 2009 in connection with his stepping down as our Chief Executive Officer in order to retain Mr. Cumming s services to assist with the transition to Mr. Cascella and to ensure that Mr. Cumming was available to continue to provide ongoing critical support for our business, including business development and international operations.

The Committee seeks to allocate the compensation of our named executive officers in a manner designed to achieve total compensation in line with the Committee s subjective assessment of an individual s performance and value, as well as the benchmarks established by reference to the compensation practices of companies in our peer group and where appropriate, survey data from a broader index of comparable public companies.

How does the Committee determine the forms and amounts of compensation?

The Committee annually determines the compensation levels for our executive officers by considering several factors, including each executive officer s roles and responsibilities, how the executive officer is performing those responsibilities, our historical and anticipated future financial performance and the compensation practices of companies in our peer group and where appropriate, survey data from a broader index of comparable public companies.

The Committee retains independent compensation consultants

During our 2010 fiscal year, the Committee engaged independent compensation consultants (the Compensation Consultants), in order to assist the Committee in the discharge of its duties. The Compensation Consultants did not perform any services for us other than as directed by the Committee. The Committee has the authority to terminate or replace the Compensation Consultants at any time.

During our 2010 fiscal year, the Compensation Consultants provided the Committee with:

- a comprehensive review of our executive compensation philosophy and strategy, including revisiting the peer group companies and the criteria for selecting peers;
- market survey data;
- advice regarding competitive levels of executive base salaries, annual performance incentive awards, annual equity awards, executive benefits and perquisites;
- executive retention strategies, succession planning and transition strategies, and
- support for the preparation of our disclosure in this proxy statement.

The Committee compares our compensation plans to those provided by the competitors in our peer group

A key task undertaken by the Compensation Consultants is to assist the Committee in constructing a tailored group of peer companies to enable the Committee to benchmark the elements of the total direct compensation (base salary, bonus and all long-term incentive plan benefits) paid to our named executive officers. The Committee seeks to maintain a peer group representing a broad, but reasonable, range of companies for comparison based on the following factors:

Similarities in revenue levels (between $0.8 billion and $3.34 billion) and size of market capitalization (between $1.9 billion and $7.6 billion);

Similarities to the industries within which we operate (i.e. medical devices, medical equipment and supplies, and diagnostic products);

The generally overlapping labor market for top management talent; and

Our status as a publicly-traded, U.S.-based, non-subsidiary firm.

At the beginning of our 2010 fiscal year, our peer group consisted of the following companies:

Beckman Coulter, Inc.	Bio-Rad Laboratories, Inc.	Charles River Laboratories International, Inc.	C. R. Bard, Inc.
DENTSLPLY International, Inc.	Edwards Life Science Corp.	Forest Laboratories	Intuitive Surgical Corp.
Alere Inc. (formerly Inverness Medical, Inc.)	Kinetic Concepts, Inc.	Life Technologies Corp.	Millipore Corp.
Sepracor Inc.	St. Jude Medical, Inc.	Varian Medical Systems, Inc.	Waters Corp.

During our 2010 fiscal year, the Committee, with the assistance of its Compensation Consultant, reviewed the companies included within our peer group in order to monitor potential additions and subtractions to the group. As a result of this review, in June 2010, the Committee elected to adjust the peer group by removing Forest Laboratories, Life Technologies Corp., Millipore Corp., Sepracor Inc. and St. Jude Medical, Inc. from the peer group (as a result of their positioning above the target market capitalization and/or revenue ranges or as a result of their acquisition) and adding Cephalon, Inc., IDEXX Laboratories, Perrigo Corp., and Resmed, Inc. (which more closely fit our peer group criteria). The short-term and long-term compensation awarded to executive officers at peer group companies as adjusted in response to this peer group review was used as a benchmark to assist the Committee in making compensation decisions after May 2010.

The Committee determines target levels for executive base pay, short-term incentive pay, long-term incentive pay, and equity awards by reference to benchmark data gathered from publicly available information regarding the compensation practices of the peer group companies listed above, and where appropriate, survey data from a broader index of comparable public companies. While the Committee attempts to base compensation decisions on the most recent market data available, it also recognizes that it must be flexible in its approach to the compensation of our executives in order to react to marketplace trends or company-specific situations as they arise.

A comparison of each element of the compensation paid to our named executive officers to the compensation received by executives serving in similar positions at peer group companies, or where appropriate at companies comprising a broader index of public companies is presented below.

The Committee uses tally sheets

In order to assess compensation information relative to each of our named executive officers, the Committee reviews individualized tally sheets which set forth the total direct compensation payable to these senior executives. These tally sheets also provide a breakdown of each of the various elements comprising a named executive officer s compensation, including cash compensation (base salary and bonus), long-term incentive compensation (stock options and restricted stock units), and benefits payable under our Supplemental Executive Retirement Plan, or SERP. The information presented on the tally sheets demonstrates the variance in annual compensation levels with respect to each named executive officer, and allows the Committee to review the total direct compensation payable to each named executive officer. In conducting its review of the tally sheets for our 2010 fiscal year, the Committee determined that the total direct compensation amounts payable to our named executive officers remained consistent with the Committee s compensation policies and principles and that the variance in compensation levels with respect to named executive officers adequately reflected the Committee s assessment of the relative importance of the position and responsibilities of each of our named executive officers.

What specific decisions did the Committee make regarding the various components of our executive compensation programs for our 2010 fiscal year and why did the Committee make these decisions?

Short-Term Compensation Elements

Base Salary

An executive s base salary represents annual fixed compensation and is a standard element of compensation necessary to attract and retain talent. Base salary represents the minimum payment for a satisfactory level of individual performance as long as the executive remains employed with us. Base salary is set at the Committee s discretion after taking into account the competitive landscape including the compensation practices of the companies in our selected peer group (and where appropriate, survey data from a broader index of comparable public companies), our business strategy, our short-term and long-term performance goals and individual factors such as position, salary history, individual performance, an individual s length of service with us and placement within the general base salary range offered to our executive officers.

In response to the recent departures of two senior vice presidents and in an effort to improve our ability to successfully retain our top performing executives, on June 22, 2010, the Committee approved salary increases for select senior vice presidents and vice presidents and to certain of these individuals accompanying one time grants of restricted stock units with a three-year cliff vesting period, which are more fully described below. The Committee believed that this action was necessary to help us retain our top performing executives and to better align the base salaries of our top performing executives with the base salaries of similarly situated executives at the 50th percentile peer group level. In addition, the Committee believed these salary increases and restricted stock grants provided a meaningful opportunity for the company to demonstrate its commitment to, and support of, its most critically important employees. The Committee determined that these retention-based salary increases would not be made available to Messrs. Cascella, Cumming and Muir, our three highest paid executive officers. Messrs. Soltani and Williamson each had their salaries increased as a result of this retention program.

The salaries established by the Committee for our named executive officers for fiscal year 2010 are set forth below.

Fiscal Year 2010 Base Salaries of Named Executive Officers

Name	FY2009 Salary	FY2010 Salary	Percentage Increase	Percentile of FY2010 Salary Against Peer Group
Robert A. Cascella	$ 725,000	$ 860,000	18.6%	50-55%
John W. Cumming	$ 925,000	$ 725,000	(21.6%)	(1)
Glenn P. Muir	$ 500,000	$ 550,000	10%	50-55%(2)
David P. Harding	$ 351,000	$ 375,000	6.8%	60-75%(3)
Peter K. Soltani.	$ 300,000	$ 365,000(4)	21.7%	60%(3)
Steven S. Williamson	$ 250,000	$ 350,000(5)	40%	50%(3)

(1) Mr. Cumming s salary reduction for our 2010 fiscal year reflects his transition from Chief Executive Officer and Chairman to Executive Officer and Chairman. The peer group provided an insufficient number of data points to enable a meaningful correlation to Mr. Cumming s current position as executive officer and Chairman.

(2) Represents comparison to other Chief Financial Officers. The Committee determined that Mr. Muir, as Executive Vice President, also served in capacities beyond that of a Chief Financial Officer.

(3) The base salaries for Messrs. Harding, Soltani and Williamson were not benchmarked against the peer group as a result of the lack of publicly available compensation information pertaining to executives serving in similar roles to Messrs. Harding, Soltani and Williamson at peer group companies. The Committee compared the base salaries of Messrs. Harding, Soltani and Williamson against a broader index of survey data gathered from comparable public companies.

(4) Dr. Soltani s salary increased from $300,000 at the start of our 2010 fiscal year to $365,000 effective in June 2010, as part of our retention program for senior executives implemented in June 2010.
(5) Mr. Williamson s salary increased from $290,000 at the start of our 2010 fiscal year to $350,000 effective in June 2010, as part of our retention program for senior executives implemented in June 2010. The increase in Mr. Williamson s salary during our 2010 fiscal year reflects Mr. Williamson s promotion to Senior Vice President and General Manager, GYN Surgical Products during our 2010 fiscal year and the increased responsibilities he assumed as a result of this promotion.

2010 Short-Term Incentive Plan

On November 11, 2009, the Committee approved the 2010 Short-Term Incentive Plan (the STIP) which provided most of our key employees, including each of the named executive officers, with the opportunity to earn a performance-based cash bonus. Target bonus amounts for each of our named executive officers under the STIP, as measured as a percentage of base salary were established. The goals under the 2010 STIP included, among other things, consolidated corporate revenue and adjusted earnings per share goals that were intended to constitute performance-based compensation pursuant to our 2008 Equity Incentive Plan, as amended, and Section 162(m) of the Internal Revenue Code. As noted in further detail below, the multipliers used for the 2010 STIP and the associated awards were below target as our aggressive performance goals were not achieved.

The STIP provides that 100% of targeted payout levels will be achieved at a combination of corporate, divisional and/or individual goals established for each participant. An individual s bonus components and the weighting of those components are determined by such individual s role. The maximum bonus amounts payable under the STIP were fixed at 200% of target (e.g., an individual with a target bonus equal to 75% of such individual s base salary would be eligible to receive a bonus payment in an amount up to a 150% of such individual s salary). However, even if performance targets were achieved, the Committee reserved the right, in its sole and absolute discretion, to reduce the amount of any bonus payout to any STIP participant to reflect the Committee s assessment of the participant s individual performance or for any other reason.

In establishing the STIP and the related performance goals triggering payments under the STIP, the Committee sought to directly tie incentive compensation to key financial and non-financial performance measures in order to align our strategic and financial plans with our short-term compensation policies. In setting these goals the Committee considered our 2010 budget and investor guidance, current market conditions for our products and services, historical performance, competitor and peer performance, and the unique nature of our various operating divisions and individualized objectives sufficient to encourage each named executive officer to contribute to our overall success.

In conjunction with the STIP, we also established a modest discretionary bonus pool to be separately administered by the Committee to reward special contributions by key employees. Our senior executive officers, Messrs. Cascella, Muir and Cumming were not eligible to receive bonuses under this discretionary pool.

In keeping with our pay for performance philosophy, payments under the STIP make up a large portion of an executive s annual compensation thereby linking a significant component of annual compensation to both individual and company performance.

How were 2010 bonuses determined under the STIP?

When the STIP was adopted in November 2009, the Committee also established the various components (including company and individual performance targets) to be measured in awarding bonuses under the STIP and the relative weighting of each component.

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The components of the STIP and the relative weighting ascribed to each component for our 2010 fiscal year for each of our named executive officers are as follows:

2010 Short-Term Incentive Plan Components and Weighting

Component	Maximum Performance Threshold	Minimum Performance Threshold	Weighting of Components Applicable to Messrs. Cumming, Cascella & Muir	Weighting of Components Applicable to All Other Named Executive Officers
Company Revenue (1)	$ 2.0 billion	$ 1.650 billion	40%	20%
Company Adjusted EPS (2)	$ 1.50	$ 1.20	40%	20%
Divisional Revenue (3)			0%	15%
Divisional Operating Income (4)			0%	25%
Personal Management Bonus Objectives (5)			20%	20%

(1) In our fiscal year 2009, our revenues were $1.637 billion. The maximum revenue threshold for our 2010 fiscal year translated to an increase in revenues of approximately 22% from our fiscal year 2009 revenues, and the minimum revenue threshold for our 2010 fiscal year translated to a $13 million increase from our 2009 fiscal year.

(2) In our fiscal year 2009, our adjusted earnings per share were $1.17. The maximum adjusted EPS threshold for our 2010 fiscal year translated to an increase of approximately 28% from our fiscal year 2009 and the minimum adjusted EPS threshold for our 2010 fiscal year translated to an increase of approximately 3% from our fiscal year 2009. Adjusted EPS means our consolidated net income under GAAP, adjusted to exclude the amortization of intangible assets, one-time or non-recurring acquisition related charges such as in-process research and development, inventory write-up to fair value and stock option costs related to the acceleration of vesting, changes in GAAP or the interpretation or application thereof (including non-cash interest expense from the amortization of the debt discount related to convertible debt instruments with cash settlement features resulting from the implementation of FSP APB 14-1), litigation related settlement charges, restructuring and divestiture charges and gains, and other one-time, non-recurring, unusual or unanticipated charges, expenses, gains or revenue, in each case as determined by the Committee. Adjusted EPS is not defined under GAAP. Despite the importance of adjusted earnings in analyzing our business and designing incentive compensation, adjusted EPS has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

(3) The performance of Messrs. Harding, Soltani and Williamson with respect to divisional revenues was measured against targets established by the Committee. Mr. Harding s divisional revenue target applicable to the company s international performance was $266.1 million. Dr. Soltani s divisional revenue target applicable to the company s Breast Health division was $575 million. Mr. Williamson s divisional revenue target applicable to the company s GYN Surgical Products division was $285 million.

(4) The performance of Messrs. Harding, Soltani and Williamson with respect to divisional operating income was measured against targets established by the Committee. Mr. Harding s divisional operating income target applicable to the company s international performance was $83.5 million. Dr. Soltani s divisional operating income target applicable to the company s Breast Health division was $130 million. Mr. Williamson s divisional operating income target applicable to the company s GYN Surgical Products division was $64 million.

(5) Personal management bonus objectives were established by the Committee for Mr. Cascella. The personal management bonus objectives of Mr. Cascella were designed to reward the achievement of company financial targets, such as product specific revenue targets, gross margins, operating expenses and stock price performance as well as qualitative performance benchmarks relating to operations, sales and marketing, regulatory, manufacturing, product development and business development objectives. Personal management bonus objectives were established by the Committee and Mr. Cascella for each of our other named executive officers. The personal management bonus objectives of Mr. Cumming were designed to

reward the achievement of qualitative performance benchmarks relating to business development, including international expansion and increasing international sales. The personal management bonus objectives of Mr. Muir were designed to reward the achievement of qualitative performance benchmarks relating to organizational development, financing matters, risk management, increasing stockholder value, acquisitions and investments, new business development and successful IT implementation. The personal management bonus objectives of Mr. Harding were designed to reward the achievement of the divisional goals set forth above and other product specific market share figures and revenue amounts. The personal management bonus objectives of Dr. Soltani were designed to reward the achievement of the divisional goals set forth above and other company financial targets, such as gross margin, maintenance of domestic and international bookings and market share and the achievement of qualitative performance benchmarks relating to the success of implementing our strategic plan. Personal management bonus objectives were not established for Mr. Williamson. Instead the personal management bonus objectives component of the bonus awarded to Mr. Williamson was a discretionary award made by the Committee based upon the recommendation of Mr. Cascella.

The Committee believed the minimum performance thresholds underlying the Revenue and Adjusted EPS components of the STIP, were achievable based on internal budgeting and forecasting. The Committee further believed that due to the difficult economic environment within which we would be operating throughout our 2010 fiscal year, achievement of these minimum performance thresholds would continue to represent a significant achievement.

Bonus awards for named executive officers are calculated by:

- first determining the overall funding level of the STIP pool based upon the company s performance against the established company revenue threshold;

- assuming the company achieved at least the minimum revenue threshold, determining the funding level of the adjusted EPS, divisional performance and personal management bonus objectives components of the STIP;

- multiplying the relative weight of each STIP component (as shown on the tables below under Column A) by the percentage of the bonus amount payable with respect to the achievement of each STIP component (ranging from 0% to a maximum of 200% and as shown on the tables below under Column B);

- adding the sum of each of the foregoing percentages (sum of the Column C amounts shown on the tables below);

- multiplying this sum (as shown in Column U in the table below) by the bonus target as a percentage of the base salary of the applicable named executive officer (as shown in Column V in the table below) and then multiplying the resulting percentage (as shown in Column W in the table below) by the base salary of the applicable named executive officer (as shown in Column X in the table below); and

- adding the dollar amount of any additional bonus awarded (as shown in Column Z in the table below) by the Committee from the discretionary bonus pool separately administered by the Committee to reward special contributions by key employees.

In determining the amounts to be paid under the STIP, the Committee elected to condition STIP payouts on the company s overall revenue performance. If the company failed to meet its minimum revenue threshold, no portion of the STIP pool (including the components determined based on the company s adjusted EPS, divisional revenue, divisional operating income and personal management bonus objectives) would have been funded.

During our 2010 fiscal year, we achieved our minimum performance threshold relative to the company revenue target, as our revenues were $1.679 billion. A company revenue figure of $1.679 billion corresponded to a 60% payout on the performance grid established by the

Committee relating to the achievement of the company revenue target and represented an approximately 3% increase in company revenue over company revenue for our 2009 fiscal year. As a result all named executive officers were credited with achieving 60% of the bonus amount payable with respect to the company revenue component of the STIP.

During our 2010 fiscal year, we failed to achieve our adjusted EPS target, as our adjusted earnings per share for the 2010 fiscal year was $1.18 on a fully-diluted basis, or $.02 below our minimum adjusted EPS performance target. As a result, no portion of the percentage of the bonus amount payable with respect to the achievement of the adjusted EPS component of the STIP was awarded to any STIP participant.

The Committee utilized the 60% payout level with respect to the company revenue component of the STIP in order to establish the maximum amount fundable under each to the divisional operating income, divisional revenue and personal management bonus objectives components of the STIP. As a result of the company s revenue performance, an executive s performance against applicable divisional targets as well as their performance against their personal management bonus objectives could result in a payout level below 60% but in no event would they achieve a payout level in excess of 60%.

During our 2010 fiscal year, Mr. Harding achieved 107% of his divisional revenue target and 114% of his divisional operating income target, Dr. Soltani achieved 109% of his divisional revenue target and 125% of his divisional operating income target. As a result, the Committee determined to award 60% payouts for the divisional performance components of the STIP to Messrs. Harding and Soltani. Mr. Williamson achieved 99% of his divisional revenue target and 84% of his divisional operating income target. As a result, the Committee determined to award a 50% payout (the 60% maximum multiplied by his 84% achievement level against his divisional revenue target) for the divisional performance components of the STIP to Mr. Williamson.

In reviewing the personal management bonus objectives of Messrs. Cascella, Cumming, Muir, Harding and Soltani and their respective performances against these objectives, the Committee awarded 60% payouts for the personal management bonus objectives component of the STIP to each of these named executive officers.

Because Mr. Williamson s promotion to Senior Vice President and General Manager, GYN Surgical Products did not occur until December 2009, personal management bonus objectives were not established for Mr. Williamson at the beginning of our 2010 fiscal year, instead the personal management bonus objectives component of the bonus awarded to Mr. Williamson was a discretionary award made by the Committee after assessing his performances and contributions.

The charts below show the relative weight of each component of the STIP with respect to the named executive officers and the percentage of the bonus amount payable to each named executive officer with respect to the applicable component of the STIP.

Company Revenue Component of Total STIP Award

	Column A	Column B	Column C
Name	**Relative Weight of Company Revenue Component as % of Total STIP Award**	**Percentage of Bonus Amount Payable Relative to Company Revenue Component of STIP**	**Product of Column A and Column B**

Robert A. Cascella	40%	60%	24%
John W. Cumming	40%	60%	24%
Glenn P. Muir	40%	60%	24%
David P. Harding	20%	60%	12%
Peter K. Soltani	20%	60%	12%
Steven S. Williamson	20%	60%	12%

Company Adjusted EPS Component of Total STIP Award

Name	Column A Relative Weight of Company Adjusted EPS Component as % of Total STIP Award	Column B Percentage of Bonus Amount Payable Relative to Company Adjusted EPS Component of STIP	Column C Product of Column A and Column B
Robert A. Cascella	40%	0%	0%
John W. Cumming	40%	0%	0%
Glenn P. Muir	40%	0%	0%
David P. Harding	20%	0%	0%
Peter K. Soltani	20%	0%	0%
Steven S. Williamson	20%	0%	0%

Divisional Revenue and Divisional Operating Income Components of Total STIP Award

Name	Column A Relative Weight of Divisional Revenue and Divisional Operating Income Components as % of Total STIP Award	Column B Percentage of Bonus Amount Payable Relative to Divisional Revenue and Divisional Operating Income Component of STIP	Column C Product of Column A and Column B
David P. Harding	40%	60%	24%
Peter K. Soltani	40%	60%	24%
Steven S. Williamson	40%	50%	20%

Personal Management Bonus Objectives Component of Total STIP Award

Name	Column A Relative Weight of Personal Management Bonus Objectives Component as % of Total STIP Award	Column B Percentage of Bonus Amount Payable Relative to Personal Management Bonus Objectives Component of STIP	Column C Product of Column A and Column B
Robert A. Cascella	20%	60%	12%
John W. Cumming	20%	60%	12%
Glenn P. Muir	20%	60%	12%
David P. Harding	20%	60%	12%
Peter K. Soltani	20%	60%	12%
Steven S. Williamson	20%	60%	12%

The chart below shows the total payments made under the STIP for fiscal year 2010 to our named executive officers. The amounts represented in Column Z below represent additional discretionary cash bonus amounts awarded by the Committee upon the recommendation of Mr. Cascella to Messrs. Harding, Soltani and Williamson. These amounts were paid from the discretionary bonus pool separately administered by the Committee to reward special contributions by key employees. Messrs. Cascella, Cumming and Muir were not eligible to receive bonuses under this discretionary pool.

Total Fiscal Year 2010 STIP Payments to Named Executive Officers

Name	Column U Sum of Column C %s	Column V Bonus Target as % of Base Salary	Column W Product of Column V and Column U	Column X FY 2010 Base Salary	Column Y Product of Column W and Column X	Column Z Dollar Amount of Additional Discretionary Bonus	Total Bonus Amount
Robert A. Cascella	36%	105)	$ 607,318				
Stock issued for benefit plans (22,358 shares)	-	714	321	-	-	-	1,035
Stock options exercised (652,829 shares)	7	11,831	-	-	-	-	11,838
Adoption of SFAS No. 123R	-	(5,875)	-	5,850	-	-	(25)
Excess tax benefits from stock-based awards	-	4,811	-	-	-	-	4,811
Employee stock purchase plan (22,425 shares)	-	671	-	-	-	-	671
Issuance of restricted stock (35,776 shares)	-	-	-	-	-	-	-
Amortization of stock compensation	-	10,318	-	-	-	-	10,318
Comprehensive income:							
Net income	-	-	-	-	161,565	-	161,565
Other comprehensive income	-	-	-	-	-	386	386
Total comprehensive income							161,951
Balance, December 31, 2006	$ 302	$ 387,556	$ (6,125)	$ -	$ 415,868	$ 316	$ 797,917
Stock issued for benefit plans (32,817 shares) (2)	-	953	471	-	-	-	1,424
Stock options exercised (148,665 shares) (2)	1	1,901	-	-	-	-	1,902
Purchase of treasury shares (40,701 shares) (2)	-	-	(1,766)	-	-	-	(1,766)
Adoption of FIN 48 (2)	-	-	-	-	(977)	-	(977)
Employee stock purchase plan (17,678 shares) (2)	-	619	-	-	-	-	619
Issuance of restricted stock (182,444 shares) (2)	2	(2)	-	-	-	-	-
Amortization of stock compensation (2)	-	10,953	-	-	-	-	10,953
Comprehensive income:							
Net income (2)	-	-	-	-	101,380	-	101,380
Other comprehensive loss (2)	-	-	-	-	-	(316)	(316)
							101,064

Total comprehensive income (2)													
Balance, September 30, 2007 (2)	$	305	$	401,980	$	(7,420)	$	-	$	516,271	$	-	$ 911,136

(1)$.01 par value.
(2)Unaudited.

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows (Unaudited)
Swift Energy Company and Subsidiaries
(in thousands)

	Nine Months Ended September 30,	
	2007	2006
Cash Flows from Operating Activities:		
Net income	$ 101,380	$ 126,295
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation, depletion, and amortization	150,894	120,151
Accretion of asset retirement obligation	1,170	666
Deferred income taxes	59,688	67,169
Stock-based compensation expense	7,783	5,057
Debt retirement cost – cash and non-cash	12,765	---
Other	(127)	(3,677)
Change in assets and liabilities-		
(Increase) decrease in accounts receivable	6,193	(14,548)
Increase in accounts payable and accrued liabilities	1,644	7,404
Increase (decrease) in income taxes payable	(884)	338
Increase (decrease) in accrued interest	(187)	1,828
Net Cash Provided by Operating Activities	340,319	310,683
Cash Flows from Investing Activities:		
Additions to property and equipment	(335,898)	(295,502)
Proceeds from the sale of property and equipment	219	20,336
Net cash received as operator of partnerships and joint ventures	485	855
Other	---	(31)
Net Cash Used in Investing Activities	(335,194)	(274,342)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	250,000	---
Payments of long-term debt	(200,000)	---
Net payments of bank borrowings	(31,400)	---
Net proceeds from issuances of common stock	2,521	4,289
Excess tax benefits from stock-based awards	---	1,483
Purchase of treasury shares	(1,766)	---
Payments of debt retirement costs	(9,376)	---
Payments of debt issuance costs	(4,451)	---
Net Cash Provided by Financing Activities	5,528	5,772
Net Increase in Cash and Cash Equivalents	$ 10,653	$ 42,113
Cash and Cash Equivalents at Beginning of Period	1,058	53,005
Cash and Cash Equivalents at End of Period	$ 11,711	$ 95,118

Supplemental Disclosures of Cash Flows Information:

Cash paid during period for interest, net of amounts capitalized	$	19,008	$	14,721
Cash paid during period for income taxes	$	1,007	$	6,373

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SWIFT ENERGY COMPANY AND SUBSIDIARIES

(1) General Information

The condensed consolidated financial statements included herein have been prepared by Swift Energy Company ("Swift Energy" or the "Company") and reflect necessary adjustments, all of which were of a recurring nature unless otherwise disclosed herein, and are in the opinion of our management necessary for a fair presentation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission. We believe that the disclosures presented are adequate to allow the information presented not to be misleading. The condensed consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 as filed with the Securities and Exchange Commission.

(2) Summary of Significant Accounting Policies

Holding Company Structure

In December 2005, we implemented a holding company structure pursuant to Texas and federal law in a manner designed to be a non-taxable transaction. The new parent holding company assumed the Swift Energy Company name and continued to trade on the New York Stock Exchange. The purposes of this new holding company structure are to separate Swift Energy's domestic and international operations to better reflect management practices, to improve our economics, and to provide greater administrative and organizational flexibility. Under the new organizational structure, four new subsidiaries were formed with the Texas parent holding company wholly owning three Delaware subsidiaries, which in turn wholly own Swift Energy's operating subsidiaries. Swift Energy Operating, LLC is the operator of record for Swift Energy's domestic properties. Swift Energy's name, charter, bylaws, officers, board of directors, authorized shares and shares outstanding remain substantially identical. Our international operations continue to be conducted through Swift Energy International, Inc. Swift Energy amended its bank credit agreement, debt indentures and various other plans and documents to accommodate the internal reorganization, but our day-to-day conduct of business was not impacted. Accordingly, there was no impact on our financial position or results of operations.

Property and Equipment

We follow the "full-cost" method of accounting for oil and gas property and equipment costs. Under this method of accounting, all productive and nonproductive costs incurred in the exploration, development, and acquisition of oil and gas reserves are capitalized. Such costs may be incurred both prior to and after the acquisition of a property and include lease acquisitions, geological and geophysical services, drilling, completion, and equipment. Internal costs incurred that are directly identified with exploration, development, and acquisition activities undertaken by us for our own account, and which are not related to production, general corporate overhead, or similar activities, are also capitalized. For the nine months ended September 30, 2007 and 2006, such capitalized internal costs totaled $23.0 million and $20.7 million, respectively. Interest costs are also capitalized to unproved oil and gas properties. For the nine months ended September 30, 2007 and 2006, capitalized interest on unproved properties totaled $7.2 million and $6.6 million, respectively. Interest not capitalized and general and administrative costs related to production and general overhead are expensed as incurred.

No gains or losses are recognized upon the sale or disposition of oil and gas properties, except in transactions involving a significant amount of reserves or where the proceeds from the sale of oil and gas properties would significantly alter the relationship between capitalized costs and proved reserves of oil and gas attributable to a cost center. Internal costs associated with selling properties are expensed as incurred.

Future development costs are estimated property-by-property based on current economic conditions and are amortized to expense as our capitalized oil and gas property costs are amortized.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

We compute the provision for depreciation, depletion, and amortization of oil and gas properties by the unit-of-production method. Under this method, we compute the provision by multiplying the total unamortized costs of oil and gas properties—including future development costs, natural gas processing facilities, and both capitalized asset retirement obligations and undiscounted abandonment costs of wells to be drilled, net of salvage values, but excluding costs of unproved properties—by an overall rate determined by dividing the physical units of oil and gas produced during the period by the total estimated units of proved oil and gas reserves at the beginning of the period. This calculation is done on a country-by-country basis, and the period over which we will amortize these properties is dependent on our production from these properties in future years. Furniture, fixtures, and other equipment, held at cost, are depreciated by the straight-line method at rates based on the estimated useful lives of the property, which range between two and 20 years. Repairs and maintenance are charged to expense as incurred. Renewals and betterments are capitalized.

Geological and geophysical (G&G) costs incurred on developed properties are recorded in "Proved properties" and therefore subject to amortization. G&G costs incurred that are directly associated with specific unproved properties are capitalized in "Unproved properties" and evaluated as part of the total capitalized costs associated with a prospect. The cost of unproved properties not being amortized is assessed quarterly, on a country-by-country basis, to determine whether such properties have been impaired. In determining whether such costs should be impaired, we evaluate current drilling results, lease expiration dates, current oil and gas industry conditions, international economic conditions, capital availability, foreign currency exchange rates, the political stability in the countries in which we have an investment, and available geological and geophysical information. Any impairment assessed is added to the cost of proved properties being amortized. To the extent costs accumulate in countries where there are no proved reserves, any costs determined by management to be impaired are charged to expense.

Full-Cost Ceiling Test

At the end of each quarterly reporting period, the unamortized cost of oil and gas properties, including natural gas processing facilities, capitalized asset retirement obligations, net of related salvage values and deferred income taxes, and excluding the recognized asset retirement obligation liability is limited to the sum of the estimated future net revenues from proved properties, excluding cash outflows from recognized asset retirement obligations, including future development and abandonment costs of wells to be drilled, using period-end prices, adjusted for the effects of hedging, discounted at 10%, and the lower of cost or fair value of unproved properties, adjusted for related income tax effects ("Ceiling Test"). We did not have any hedges in place at September 30, 2007. This calculation is performed on a country-by-country basis.

The calculation of the Ceiling Test and provision for depreciation, depletion, and amortization ("DD&A") is based on estimates of proved reserves. There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting the future rates of production, timing, and plan of development. The accuracy of any reserves estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing, and production subsequent to the date of the estimate may justify revision of such estimates. Accordingly, reserves estimates are often different from the quantities of oil and gas that are ultimately recovered.

Given the volatility of oil and gas prices, it is reasonably possible that our estimate of discounted future net cash flows from proved oil and gas reserves could change in the near term. If oil and gas prices decline from our period-end prices used in the Ceiling Test, even if only for a short period, it is possible that non-cash write-downs of oil and gas properties could occur in the future.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Swift Energy Company and its wholly owned subsidiaries, which are engaged in the exploration, development, acquisition, and operation of oil and natural gas properties, with a focus on inland waters and onshore oil and natural gas reserves in Louisiana and Texas, as well as onshore oil and natural gas reserves in New

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Zealand. Our undivided interests in natural gas processing plants are accounted for using the proportionate consolidation method, whereby our proportionate share of assets, liabilities, revenues, andexpenses are included in the appropriate classifications in the accompanying consolidated financial statements. Intercompany balances and transactions have been eliminated in preparing the accompanying consolidated financial statements.

Revenue Recognition

Oil and gas revenues are recognized when production is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and if collectibility of the revenue is probable. Beginning in 2007, processing costs for natural gas and natural gas liquids (NGLs) that are paid in-kind are recorded in “Lease operating costs” prior to that time these costs were deducted from revenues. Swift Energy uses the entitlement method of accounting in which we recognize our ownership interest in production as revenue. If our sales exceed our ownership share of production, the natural gas balancing payables are reported in “Accounts payable and accrued liabilities” on the accompanying balance sheet. Natural gas balancing receivables are reported in “Other current assets” on the accompanying balance sheet when our ownership share of production exceeds sales. As of September 30, 2007, we did not have any material natural gas imbalances.

Reclassification of Prior Period Balances

Certain reclassifications have been made to prior period amounts to conform to the current year presentation.

Accounts Receivable

We assess the collectibility of accounts receivable, and based on our judgment, we accrue a reserve when we believe a receivable may not be collected. At both September 30, 2007 and December 31, 2006, we had an allowance for doubtful accounts of less than $0.1 million. The allowance for doubtful accounts has been deducted from the total “Accounts receivable” balances on the accompanying balance sheets.

Inventories

We value inventories at the lower of cost or market. Cost of crude oil inventory is determined using the weighted average method and all other inventory is accounted for using the first in, first out method (“FIFO”). The major categories of inventories, which are included in “Other current assets” on the accompanying balance sheets, are shown as follows:

(in thousands)	**Balance at September 30, 2007**	**Balance at December 31, 2006**
Materials, Supplies and Tubulars	$ 11,876	$ 10,611
Crude Oil	738	474
Total	$ 12,614	$ 11,085

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires us to make estimates and assumptions that affect the reported amount of certain assets and liabilities and the reported amounts of certain revenues and expenses during each reporting period. We believe our estimates and assumptions are reasonable; however, such estimates and assumptions are subject to a number of risks and uncertainties that may cause actual results to differ materially from such estimates. Significant estimates underlying these financial statements include:

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

- the estimated quantities of proved oil and natural gas reserves used to compute depletion of oil and natural gas properties and the related present value of estimated future net cash flows there-from,
- estimates of future costs to develop and produce reserves,
- accruals related to oil and gas revenues, capital expenditures and lease operating expenses,estimates of insurance recoveries related to property damage,
- estimates in the calculation of stock compensation expense,
- estimates of our ownership in properties prior to final division of interest determination,
- the estimated future cost and timing of asset retirement obligations,
- estimates made in our income tax calculations, and
- estimates in the calculation of the fair value of hedging assets.

While we are not aware of any material revisions to any of our estimates, there will likely be future revisions to our estimates resulting from matters such as new accounting pronouncements, changes in ownership interests, payouts, joint venture audits, re-allocations by purchasers or pipelines, or other corrections and adjustments common in the oil and gas industry, many of which require retroactive application. These types of adjustments cannot be currently estimated and will be recorded in the period during which the adjustment occurs.

Income Taxes

Under SFAS No. 109, “Accounting for Income Taxes,” deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities, given the provisions of the enacted tax laws.

On January 1, 2007, we adopted the recognition and disclosure provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"). Under FIN 48, tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. As a result of adopting FIN 48, we reported a $1.0 million decrease to our January 1, 2007 retained earnings balance and a corresponding increase to our deferred tax liability. This is also the total balance of our unrecognized tax benefits, which would fully impact our effective tax rate if recognized. We do not expect to recognize significant increases or decreases in unrecognized tax benefits during the year ended December 31, 2007.

Our policy is to record interest and penalties relating to income taxes in income tax expense. As of December 31, 2006 and September 30, 2007 no interest or penalties relating to income taxes have been recognized.

Our U.S. Federal and State of Louisiana income tax returns from 1998 forward remain subject to examination by tax authorities. Our Texas franchise tax returns for 2005 and prior years have been audited by the Texas State Comptroller. There are no unresolved items related to those audits. No other state returns are significant to our financial position. Our New Zealand income tax returns from 2002 forward remain subject to examination by the local tax authority.

In the third quarter of 2007 we increased the valuation allowance for our capital loss carryforward assets by $2.6 million to cover the full value of the carryforward. The increase in the valuation allowance is due to changes in the Company’s property disposition plans and increased income tax expense by $2.6 million in that period.

Accounts Payable and Accrued Liabilities

Included in "Accounts payable and accrued liabilities," on the accompanying balance sheets, at September 30, 2007 and December 31, 2006 are liabilities of approximately $11.5 million and $13.9 million, respectively, representing the amount by which checks issued, but not presented by vendors to Swift Energy's banks for collection, exceeded balances in the applicable disbursement bank accounts.

Accumulated Other Comprehensive Income, Net of Income Tax

We follow the provisions of SFAS No. 130, "Reporting Comprehensive Income," which establishes standards for reporting comprehensive income. In addition to net income, comprehensive income or loss includes all changes to equity during a period, except those resulting from investments and distributions to the owners of Swift Energy. At September 30, 2007, we did not record any derivative gains or losses in "Accumulated other comprehensive income, net of income tax" on the accompanying balance sheet. The components of accumulated other comprehensive income and related tax effects were as follows:

(in thousands)	Gross Value	Tax Effect	Net of Tax Value
Other comprehensive income at December 31, 2006	$ 503	$ (187)	$ 316
Change in fair value of cash flow hedges	(184)	68	(116)
Effect of cash flow hedges settled during the period	(319)	119	(200)
Other comprehensive income at September 30, 2007	$ ---	$ ---	$ ---

Total comprehensive income was $42.1 million and $52.2 million for the third quarter of 2007 and 2006, respectively. Total comprehensive income was $101.1 and $127.3 million for the first nine months of 2007 and 2006, respectively.

Price-Risk Management Activities

Swift Energy follows SFAS No. 133, which requires that changes in the derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met. The statement also establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) is recorded in the balance sheet as either an asset or a liability measured at its fair value. Hedge accounting for a qualifying hedge allows the gains and losses on derivatives to offset related results on the hedged item in the income statements and requires that a company formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. Changes in the fair value of derivatives that do not meet the criteria for hedge accounting, and the ineffective portion of the hedge, are recognized currently in income.

We have a price-risk management policy to use derivative instruments to protect against declines in oil and gas prices, mainly through the purchase of price floors and collars. During the third quarters of 2007 and 2006, we recognized a net gain of $1.0 million and a net loss of $0.4 million, respectively, relating to our derivative activities. During the first nine months of 2007 and 2006, we recognized a net gain of $0.3 million and a net gain of $1.6 million, respectively, relating to our derivative activities. This activity is recorded in "Price-risk management and other, net" on the accompanying statements of income. At September 30, 2007, we had not recorded any derivative gains or losses in "Accumulated other comprehensive income, net of income tax" on the accompanying balance sheet as we did not have any hedges in place at that time. This line item on the balance sheet represents the change in fair value for the effective portion of our hedging transactions that are qualified as cash flow hedges. The amount of ineffectiveness reported in "Price-risk management and other, net" for the first nine months of 2007 and 2006 was not material.

When we entered into the transactions discussed above, they were designated as a hedge of the variability in cash flows associated with the forecasted sale of natural gas production. Changes in the fair value of a hedge that is highly effective and is designated and documented and qualifies as a cash flow hedge, to the extent that the hedge is effective, are recorded in "Accumulated other comprehensive income (loss), net of income tax." When the hedged transactions are recorded upon the actual sale of oil and natural gas, these gains or losses are reclassified from "Accumulated other comprehensive income (loss), net of income tax" and recorded in "Price-risk management and other, net" on the accompanying statement of income. The fair value of our derivatives is computed using the Black-Scholes-Merton option pricing model and is periodically verified against quotes from brokers. Supervision Fees

Consistent with industry practice, we charge a supervision fee to the wells we operate including our wells in which we own up to a 100% working interest. Supervision fees, to the extent they do not exceed actual costs incurred, are recorded as a reduction to "General and administrative, net." All of ourdomestic supervision fees are based on COPAS determined rates; the remainder (less than 2% for each period presented) is attributable to our New Zealand operations and is based on agreements that are similar to COPAS. The amount of supervision fees charged in 2006 and 2007 did not exceed our actual costs incurred. The total amount of supervision fees charged to the wells we operate were $8.0 million and $6.4 million in the first nine months of 2007 and 2006, respectively.

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Asset Retirement Obligation

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, "Accounting for Asset Retirement Obligations." The statement requires entities to record the fair value of a liability for legal obligations associated with the retirement obligations of tangible long-lived assets in the period in which it is incurred. When the liability is initially recorded, the carrying amount of the related long-lived asset is increased. The liability is discounted from the year the related asset is expected to deplete. Over time, accretion of the liability is recognized each period, and the capitalized cost is depleted on a unit-of-production basis over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement which is included in the full cost pool. This standard requires us to record a liability for the fair value of our dismantlement and abandonment costs, excluding salvage values. Based on our experience and analysis of the oil and gas services industry, we have not factored a market risk premium into our asset retirement obligation. SFAS No. 143 was adopted by us effective January 1, 2003. The following provides a roll-forward of our asset retirement obligation:

(in thousands)	**2007**	**2006**
Asset Retirement Obligation recorded as of January 1	$ 34,460	$ 19,356
Accretion expense for the nine months ended September 30	1,170	666
Liabilities incurred for new wells and facilities construction	321	553
Reductions due to sold, or plugged and abandoned wells	---	(203)
Increase (decrease) due to currency exchange rate fluctuations	65	(22)
Asset Retirement Obligation as of September 30	$ 36,016	$ 20,350

At September 30, 2007 and December 31, 2006, approximately $0.9 million and $0.8 million of our asset retirement obligation is classified as a current liability in "Accounts payable and accrued liabilities" on the accompanying balance sheets.

New Accounting Pronouncements

Effective January 1, 2007, Swift Energy adopted FASB Interpretation (FIN) No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109" ("FIN 48"). This interpretation provides guidance for recognizing and measuring uncertain tax positions, as defined in SFAS No. 109, "Accounting for Income Taxes." See additional discussion of FIN 48 in the Income Taxes section of the footnotes. As a result of adopting FIN 48, we reported a $1.0 million decrease to our January 1, 2007 retained earnings balance and a corresponding increase to our deferred tax liability.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 addresses how companies should approach measuring fair value when required by GAAP; it does not create or modify any current GAAP requirements to apply fair value accounting. SFAS No. 157 provides a single definition for fair value that is to be applied consistently for all accounting applications, and also generally describes and prioritizes, according to reliability, the methods and inputs used in valuations. SFAS No. 157 prescribes various disclosures about financial statement categories and amounts which are measured at fair value, if such disclosures are not already specified elsewhere in GAAP. The new measurement and disclosure requirements of SFAS No. 157 are effective for us in the first quarter 2008. We have not yet determined what impact, if any, this statement will have on our financial position or results of operations.

(3) Share-Based Compensation

We have various types of share-based compensation plans. Refer to Note 6 of our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, for additional information related to these share-based compensation plans.

Effective January 1, 2006, Swift Energy adopted Statement of Financial Accounting Standards (SFAS) No. 123 (R), “Share-Based Payment” (SFAS No. 123R) utilizing the modified prospective approach. Prior to the adoption of SFAS No. 123R, we accounted for stock option grants in accordance with Accounting Principles Board (APB) Opinion No. 25, “Accounting for Stock Issued to Employees” (the intrinsic value method), and accordingly, recognized no compensation expense for employee stock option grants.

Under the modified prospective approach, SFAS No. 123R applies to new awards and to awards that were outstanding on January 1, 2006 as well as those that are subsequently modified, repurchased or cancelled. Under the modified prospective approach, compensation cost recognized for both nine month periods ended September 30, 2007 and 2006 includes compensation cost for all share-based awards granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, and compensation cost for all share-based awards granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. Prior periods were not restated to reflect the impact of adopting the new standard.

Upon adoption of SFAS 123R, we recorded an immaterial cumulative effect of a change in accounting principle as a result of our change in policy from recognizing forfeitures as they occur to one recognizing expense based on our expectation of the amount of awards that will vest over the requisite service period for our restricted stock awards. This amount was recorded in “General and administrative, net” in the accompanying condensed consolidated statements of operations.

We receive a tax deduction for certain stock option exercises during the period the options are exercised, generally for the excess of the price at which the stock is sold over the exercise price of the options. We receive an additional tax deduction when restricted stock vests at a higher value than the value used to recognize compensation expense at the date of grant. Prior to adoption of SFAS No. 123R, we reported all tax benefits resulting from the award of equity instruments as operating cash flows in our condensed consolidated statements of cash flows. In accordance with SFAS No. 123R, we are required to report excess tax benefits from the award of equity instruments as financing cash flows. These benefits were $1.0 and $1.5 million for the nine months ended September 30, 2007 and 2006, respectively. The benefit for 2007 has not been recognized in the financial statements as these benefits have not been realized since we are in a tax net operating loss position for the first nine months of 2007.

Net cash proceeds from the exercise of stock options were $1.9 million and $3.6 million for the nine months ended September 30, 2007 and 2006. The actual income tax benefit realized from stock option exercises was $1.2 million and $2.0 million for the same periods.

Stock compensation expense for both stock options and restricted stock issued to both employees and non-employees is recorded in “General and administrative, net” in the accompanying condensed consolidated statements of income, and was $2.5 million and $1.8 million for the quarters ended September 30, 2007 and 2006, respectively. Stock compensation expense for the nine months ended September 30, 2007 and 2006 was $7.4 million and $5.1 million, respectively. We view all awards of stock compensation as a single award with an expected life equal to the average expected life of component awards and amortize the award on a straight-line basis over the life of the award.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

Stock Options

We use the Black-Scholes-Merton option pricing model to estimate the fair value of stock option awards with the following weighted-average assumptions for the indicated periods:

	Three Months Ended September 30,		Nine months Ended September 30,	
	2007	2006	2007	2006
Dividend yield	0%	0%	0%	0%
Expected volatility	37.5%	39.1%	38.5%	39.5%
Risk-free interest rate	4.0%	4.8%	4.8%	4.9%
Expected life of options (in years)	4.3	2.6	6.2	5.6
Weighted-average grant-date fair value	$ 14.83	$ 12.20	$ 20.05	$ 19.31

The expected term has been calculated using the Securities and Exchange Commission Staff's shortcut approach from Staff Accounting Bulletin No. 107. We have analyzed historical volatility, and based on an analysis of all relevant factors; use a three-year period to estimate expected volatility of our stock option grants.

At September 30, 2007, there was $3.8 million of unrecognized compensation cost related to stock options which is expected to be recognized over a weighted-average period of 1.3 years. The following table represents stock option activity for the nine months ended September 30, 2007:

	Shares	**Wtd. Avg. Exer. Price**
Options outstanding, beginning of period	1,549,140	$ 24.59
Options granted	193,057	$ 43.51
Options canceled	(15,591)	$ 35.02
Options exercised	(172,409)	$ 15.52
Options outstanding, end of period	1,554,197	$ 27.84
Options exercisable, end of period	836,679	$ 24.72

The aggregate intrinsic value and weighted average remaining contract life of options outstanding and exercisable at September 30, 2007 was $22.2 million and 5.4 years and $13.9 million and 4.0 years, respectively. Total intrinsic value of options exercised during the nine months ended September 30, 2007 was $4.6 million.

Restricted Stock

The plans, as described in Note 6 of our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, allow for the issuance of restricted stock awards that may not be sold or otherwise transferred until certain restrictions have lapsed. The unrecognized compensation cost related to these awards is expected to be expensed over the period the restrictions lapse (generally one to five years).

The compensation expense for these awards was determined based on the market price of our stock at the date of grant applied to the total number of shares that were anticipated to fully vest. As of September 30, 2007, we had unrecognized compensation expense of approximately $18.9 million associated with these awards which are expected to be recognized over a weighted-average period of 1.8 years. The total fair value of shares vested during the first nine months ended September 30, 2007 was $7.9 million.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

The following table represents restricted stock activity for the nine months ended September 30, 2007:

	Shares	Wtd. Avg. Grant Price
Restricted shares outstanding, beginning of period	503,184	$ 40.04
Restricted shares granted	319,730	$ 43.15
Restricted shares canceled	(33,584)	$ 42.29
Restricted shares vested	(183,334)	$ 40.03
Restricted shares outstanding, end of period	605,996	$ 41.56

(4) Earnings Per Share

Basic earnings per share ("Basic EPS") have been computed using the weighted average number of common shares outstanding during the respective periods. Diluted earnings per share ("Diluted EPS") for all periods also assumes, as of the beginning of the period, exercise of stock options and restricted stock grants to employees using the treasury stock method. Certain of our stock options, that could potentially dilute Basic EPS in the future, were anti-dilutive for periods ended September 30, 2007 and 2006, and are discussed below.

The following is a reconciliation of the numerators and denominators used in the calculation of Basic and Diluted EPS for the periods ended September 30, 2007 and 2006:

(in thousands, except per share data)	Three Months Ended September 30,					
	2007			2006		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic EPS:						
Net Income and Share Amounts	$ 42,282	30,051	$ 1.41	$ 50,812	29,252	$ 1.74
Dilutive Securities:						
Restricted Stock	---	158		---	131	
Stock Options	---	477		---	801	
Diluted EPS:						
Net Income and Assumed Share Conversions	$ 42,282	30,686	$ 1.38	$ 50,812	30,184	$ 1.68

(in thousands, except per share data)	Nine Months Ended September 30,					
	2007			2006		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Basic EPS:						
Net Income and Share Amounts	$ 101,380	29,937	$ 3.39	$ 126,295	29,161	$ 4.33

Dilutive Securities:										
Restricted Stock		---	161				---	125		
Stock Options		---	484				---	777		
Diluted EPS:										
Net Income and Assumed Share Conversions	$	101,380	30,582	$	3.32	$	126,295	30,063	$	4.20

Options to purchase approximately 1.6 million shares at an average exercise price of $27.84 were outstanding at September 30, 2007, while options to purchase 2.0 million shares at an average exercise price of $23.25 were outstanding at September 30, 2006. Approximately 1.1 million and 1.2 million options to purchase shares were not included in the computation of Diluted EPS for the three months ended September 30, 2007 and 2006, respectively, and 1.1 million and 1.2 million options to purchase shares were not included in the computation of Diluted EPS for the nine months ended September 30, 2007 and 2006, respectively, because these options were anti-dilutive, in that the sum of the option price, unrecognized compensation expense and excess tax benefits recognized as proceeds in the treasury stock method was greater than the average closing market price for the common shares during those periods. Employee restricted stock grants of 448,366 shares and 359,695 shares were not included in the computation of Diluted EPS for the three months ended September 30, 2007 and 2006, respectively, and 444,906 shares and 366,072 shares were not included in the computation of Diluted EPS for the nine months ended September 30, 2007 and 2006, respectively, because these restricted stock grants were anti-dilutive in that the sum of the unrecognized compensation expense and excess tax benefits recognized as proceeds under the treasury stock method was greater than the average closing market price for the common shares during that period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

(5) Long-Term Debt

Our long-term debt, including the current portion, as of September 30, 2007 and December 31, 2006, was as follows:

(in thousands)	September 30, 2007	December 31, 2006
Bank Borrowings	$ ---	$ 31,400
7-5/8% senior notes due 2011	150,000	150,000
9-3/8% senior subordinated notes due 2012	---	200,000
7-1/8% senior notes due 2017	250,000	---
Long-Term Debt	$ 400,000	$ 381,400

At September 30, 2007, the aggregate maturities on our long-term debt are $150.0 million for 2011 and $250.0 million for 2017.

Bank Borrowings

At September 30, 2007, we had no borrowings under our $500.0 million credit facility with a syndicate of ten banks that had a borrowing base of $350.0 million and expires in October 2011. The interest rate is either (a) the lead bank's prime rate (7.75% at September 30, 2007) or (b) the adjusted London Interbank Offered Rate ("LIBOR") plus the applicable margin depending on the level of outstanding debt. The applicable margin is based on the ratio of the outstanding balance to the last calculated borrowing base. In October 2006, we increased, renewed, and extended this credit facility, increasing the facility to $500.0 million from $400.0 million, increasing the commitment amount under the borrowing base to $250.0 million from $150.0 million, and extending its expiration to October 3, 2011 from October 1, 2008. In April 2007 we increased the borrowing base to $350.0 million; and effective November 2007, we further increased it to $400.0 million. In September 2007, we increased the commitment amount under the borrowing base to $350.0 million from $250.0 million.

The terms of our credit facility include, among other restrictions, a limitation on the level of cash dividends (not to exceed $15.0 million in any fiscal year), a remaining aggregate limitation on purchases of our stock of $50.0 million, requirements as to maintenance of certain minimum financial ratios (principally pertaining to adjusted working capital ratios and EBITDAX), and limitations on incurring other debt or repurchasing our 7-5/8% senior notes due 2011. Since inception, no cash dividends have been declared on our common stock. We are currently in compliance with the provisions of this agreement. The credit facility is secured by our domestic oil and gas properties. We have also pledged 65% of the stock in our two New Zealand subsidiaries as collateral for this credit facility. Under the terms of the credit facility, we can increase this commitment amount to the total amount of the borrowing base at our discretion, subject to the terms of the credit agreement. The borrowing base amount is re-determined at least every six months and the next scheduled borrowing base review is in May 2008.

Interest expense on the credit facility, including commitment fees and amortization of debt issuance costs, totaled $0.4 million and $0.2 million for the three months ended September 30, 2007 and 2006, respectively, and $3.0 million and $0.6 million for the nine months ended September 30, 2007 and 2006, respectively. The amount of commitment fees included in interest expense, net was $0.2 million and $0.1 million for three month periods ended September 30, 2007 and 2006, respectively, and $0.4 million for both the nine month periods ended September 30, 2007 and 2006, respectively.

Senior Notes Due 2017

These notes consist of $250.0 million of 7-1/8% senior notes due 2017, which were issued on June 1, 2007 at 100% of the principal amount and will mature on June 1, 2017. The notes are senior unsecured obligations that rank equally with all of our existing and future senior unsecured indebtedness, are effectively subordinated to all our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, including borrowing under our bank credit facility, and will rank senior to any future subordinated indebtedness of Swift Energy. Interest on these notes is payable semi-annually on June 1 and December 1, and commencing on December 1, 2007. On or after June 1, 2012, we may redeem some or all of these notes, with certain restrictions, at a redemption price, plus accrued and unpaid interest, of 103.563% of principal, declining in twelve-month intervals to 100% in 2015 and thereafter. In addition, prior to June 1, 2010, we may redeem up to 35% of the principal amount of the notes with the net proceeds of qualified offerings of our equity at a redemption price of 107.125% of the principal amount of the notes, plus accrued and unpaid interest. We incurred approximately $4.2 million of debt issuance costs related to these notes, which is included in “Debt issuance costs” on the accompanying balance sheets and will be amortized to interest expense, net over the life of the notes using the effective interest method. In the event of certain changes in control of Swift Energy, each holder of notes will have the right to require us to repurchase all or any part of the notes at a purchase price in cash equal to 101% of the principal amount, plus accrued and unpaid interest to the date of purchase. The terms of these notes include, among other restrictions, a limitation on how much of our own common stock we may repurchase. We are currently in compliance with the provisions of the indenture governing these senior notes.

Interest expense on the 7-1/8% senior notes due 2017, including amortization of debt issuance costs, totaled $4.5 million and $6.0 million for three and nine month periods ended September 30, 2007.

Senior Notes Due 2011

These notes consist of $150.0 million of 7-5/8% senior notes due 2011, which were issued on June 23, 2004 at 100% of the principal amount and will mature on July 15, 2011. The notes are senior unsecured obligations that rank equally with all of our existing and future senior unsecured indebtedness, are effectively subordinated to all our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, including borrowing under our bank credit facility, and rank senior to all of our existing and future subordinated indebtedness. Interest on these notes is payable semi-annually on January 15 and July 15, and commenced on January 15, 2005. On or after July 15, 2008, we may redeem some or all of the notes, with certain restrictions, at a redemption price, plus accrued and unpaid interest, of 103.813% of principal, declining to 100% in 2010 and thereafter. In addition, prior to July 15, 2007, we could have redeemed up to 35% of the notes with the net proceeds of qualified offerings of our equity at a redemption price of 107.625% of the principal amount of the notes, plus accrued and unpaid interest. We incurred approximately $3.9 million of debt issuance costs related to these notes, which is included in “Debt issuance costs” on the accompanying balance sheets and will be amortized to interest expense, net over the life of the notes using the effective interest method. Upon certain changes in control of Swift Energy, each holder of notes will have the right to require us to repurchase all or any part of the notes at a purchase price in cash equal to 101% of the principal amount, plus accrued and unpaid interest to the date of purchase. The terms of these notes include, among other restrictions, a limitation on how much of our own common stock we may repurchase. We are currently in compliance with the provisions of the indenture governing these senior notes.

Interest expense on the 7-5/8% senior notes due 2011, including amortization of debt issuance costs totaled $3.0 million for each of the three month periods ended September 30, 2007 and 2006, and $9.0 million and $8.9 million for the nine month periods ended September 30, 2007 and 2006, respectively.

Senior Subordinated Notes Due 2012

These notes consisted of $200.0 million of 9-3/8% senior subordinated notes due May 2012, which were issued on April 16, 2002 and were scheduled to mature on May 1, 2012. Interest on these notes was payable semiannually on May 1 and November 1. As of June 18, 2007, we redeemed all $200.0 million of these notes. In the second quarter of 2007, we recorded a charge of $12.8 million related to the redemption of these notes, which is recorded in “Debt retirement costs” on the accompanying condensed consolidated statement of income. The costs were comprised of approximately $9.4 million of premium paid to redeem the notes, and $3.4 million to write-off unamortized debt issuance costs.

Interest expense on the 9-3/8% senior subordinated notes due 2012, including amortization of debt issuance costs totaled $4.8 million for the three month period ended September 30, 2006, and $8.9 million and $14.4 million for the nine month periods ended September 30, 2007 and 2006, respectively.

We have capitalized interest on our unproved properties in the amount of $2.2 million for each of the three month periods ended September 30, 2007 and 2006, and $7.2 million and $6.6 million for the nine month periods ended September 30, 2007 and 2006, respectively.

(6) Foreign Activities

As of September 30, 2007, our gross capitalized oil and gas property costs in New Zealand totaled approximately $354.3 million. Approximately $339.0 million has been included in the "Proved properties" portion of our oil and gas properties, while $15.3 million is included as "Unproved properties." Our functional currency in New Zealand is the U.S. dollar. Net assets of our New Zealand operations total $255.3 million at September 30, 2007.

(7) Acquisitions and Dispositions

In October 2006, we acquired interests in five South Louisiana fields. The property interests are located in: Bayou Sale, Horseshoe Bayou and Jeanerette fields (all located in St. Mary Parish), High Island field in Cameron Parish and Bayou Penchant field in Terrebonne Parish. We paid approximately $167.9 million in cash for these interests. After taking into account internal acquisition costs of $4.0 million, our total cost was $171.9 million. We allocated $154.6 million of the acquisition price to "Proved Properties," $28.8 million to "Unproved Properties," and recorded a liability for $11.5 million to "Asset retirement obligation" on our accompanying consolidated balance sheet. These acquisitions were accounted for by the purchase method of accounting. We made these acquisitions to increase our exploration and development opportunities in South Louisiana. The revenues and expenses from these properties have been included in our accompanying consolidated statements of income from the date of acquisition forward.

In December 2006, we acquired additional interests in our Lake Washington field. We paid approximately $20.0 million in cash for these interests. After taking into account internal acquisition costs of $0.4 million, our total cost was $20.4 million. We allocated $18.7 million of the acquisition price to "Proved Properties," $2.5 million to "Unproved Properties," and recorded a liability for $0.8 million to "Asset Retirement Obligation" on our accompanying consolidated balance sheet. This acquisition was accounted for by the purchase method of accounting. We made this acquisition to increase our exploration and development opportunities in South Louisiana. The revenues and expenses from this acquisition have been included in our accompanying consolidated statements of income from the date of acquisition forward.

(8) Subsequent Events

In October 2007, we acquired interests in three South Texas fields in the Maverick Basin from Escondido Resources, LP. The total price for these interests was approximately $249.5 million. The property interests are located in the Sun TSH field in La Salle County, the Briscoe Ranch field primarily in Dimmit County, and the Las Tiendas field in Webb County. We have recorded $24.5 million in "Other current assets" at September 30, 2007 related to the deposit for this acquisition.

(9) Condensed Consolidating Financial Information

In December 2005, we amended the indenture for our 9-3/8% Senior Subordinated Notes due 2012 and our 7-5/8% Senior Notes due 2011 to reflect our new holding company organizational structure (as discussed in Note 2). Pursuant to the amendment, both Swift Energy Company and Swift Energy Operating, LLC (a wholly owned indirect subsidiary of Swift Energy Company) became co-obligors of these senior notes and senior subordinated debt. Prior to amendment, Swift Energy Company was the sole obligor. Due to the redemption of the 9-3/8% senior subordinated notes in June 2007, Swift Energy Company and Swift Energy Operating, LLC remain co-obligors only under the indenture for our 7-1/8% senior notes as of June 1, 2007. The co-obligations are full and unconditional and are joint and several. The following is condensed consolidating financial information for Swift Energy Company, Swift Energy Operating, LLC, and significant subsidiaries:

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

Condensed Consolidating Balance Sheets

(in thousands)	September 30, 2007				
	Swift Energy Co. (Parent and Co-obligor)	**Swift Energy Operating, LLC (Co-obligor)**	**Other Subsidiaries**	**Eliminations**	**Swift Energy Co. Consolidated**
ASSETS					
Current assets	$ ---	$ 96,039	$ 22,857	$ ---	$ 118,896
Property and equipment	---	1,405,457	232,291	---	1,637,748
Investment in subsidiaries (equity method)	911,136	---	702,442	(1,613,578)	---
Other assets	---	39,642	758	(30,475)	9,925
Total assets	$ 911,136	$ 1,541,138	$ 958,348	$ (1,644,053)	$ 1,766,569
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities	$ ---	$ 132,538	$ 6,247	$ ---	$ 138,785
Long-term liabilities	---	706,158	40,965	(30,475)	716,648
Stockholders' equity	911,136	702,442	911,136	(1,613,578)	911,136
Total liabilities and stockholders' equity	$ 911,136	$ 1,541,138	$ 958,348	$ (1,644,053)	$ 1,766,569

(in thousands)	December 31, 2006				
	Swift Energy Co. (Parent and Co-obligor)	**Swift Energy Operating, LLC (Co-obligor)**	**Other Subsidiaries**	**Eliminations**	**Swift Energy Co. Consolidated**
ASSETS					
Current assets	$ ---	$ 75,270	$ 17,303	$ ---	$ 92,573
Property and equipment	---	1,239,722	243,590	---	1,483,312
Investment in subsidiaries (equity method)	797,917	---	590,720	(1,388,637)	---
Other assets	---	42,519	705	(33,427)	9,797
Total assets	$ 797,917	$ 1,357,511	$ 852,318	$ (1,422,064)	$ 1,585,682

LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities	$ ---	$ 137,016	$ 8,959	$ ---	$ 145,975
Long-term liabilities	---	629,775	45,442	(33,427)	641,789
Stockholders' equity	797,917	590,720	797,917	(1,388,637)	797,917
Total liabilities and stockholders' equity	$ 797,917	$ 1,357,511	$ 852,318	$ (1,422,064)	$ 1,585,682

Condensed Consolidating Statements of Income

(in thousands)	**Three Months Ended September 30, 2007**				
	Swift Energy Co. (Parent and Co-obligor)	**Swift Energy Operating, LLC (Co-obligor)**	**Other Subsidiaries**	**Eliminations**	**Swift Energy Co. Consolidated**
Revenues	$ ---	$ 171,273	$ 9,947	$ ---	$ 181,220
Expenses	---	100,195	11,408	---	111,603
Income (loss) before the following:	---	71,078	(1,461)	---	69,617
Equity in net earnings of subsidiaries	42,282	---	42,915	(85,197)	---
Income before income taxes	42,282	71,078	41,454	(85,197)	69,617
Income tax provision (benefit)	---	28,163	(828)	---	27,335
Net income	$ 42,282	$ 42,915	$ 42,282	$ (85,197)	$ 42,282

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

(in thousands)	Nine Months Ended September 30, 2007				
	Swift Energy Co. (Parent and Co-obligor)	Swift Energy Operating, LLC (Co-obligor)	Other Subsidiaries	Eliminations	Swift Energy Co. Consolidated
Revenues	$ ---	$ 457,658	$ 32,824	$ ---	$ 490,482
Expenses	---	296,105	33,186	---	329,291
Income (loss) before the following:	---	161,553	(362)	---	161,191
Equity in net earnings of subsidiaries	101,380	---	99,883	(201,263)	---
Income before income taxes	101,380	161,553	99,521	(201,263)	161,191
Income tax provision (benefit)	---	61,670	(1,859)	---	59,811
Net income	$ 101,380	$ 99,883	$ 101,380	$ (201,263)	$ 101,380

(in thousands)	Three Months Ended September 30, 2006				
	Swift Energy Co. (Parent and Co-obligor)	Swift Energy Operating, LLC (Co-obligor)	Other Subsidiaries	Eliminations	Swift Energy Co. Consolidated
Revenues	$ ---	$ 153,279	$ 20,179	$ ---	$ 173,459
Expenses	---	77,409	13,841	---	91,250
Income (loss) before the following:	---	75,871	6,338	---	82,209
Equity in net earnings of subsidiaries	50,812	---	46,342	(97,154)	---
Income before income taxes	50,812	75,871	52,681	(97,154)	82,209
Income tax provision (benefit)	---	29,528	1,869	---	31,398
Net income	$ 50,812	$ 46,342	$ 50,812	$ (97,154)	$ 50,812

(in thousands)	Nine months Ended September 30, 2006				
	Swift Energy	Swift Energy	Other Subsidiaries	Eliminations	Swift Energy Co.

	Co. (Parent and Co-obligor)	Operating, LLC (Co-obligor)			Consolidated
Revenues	$ ---	$ 406,080	$ 50,725	$ ---	$ 456,805
Expenses	---	218,391	38,241	---	256,631
Income (loss) before the following:	---	187,690	12,484	---	200,174
Equity in net earnings of subsidiaries	126,295	---	116,811	(243,105)	---
Income before income taxes	126,295	187,690	129,295	(243,105)	200,174
Income tax provision (benefit)	---	70,879	3,000	---	73,879
Net income	$ 126,295	$ 116,811	$ 126,295	$ (243,105)	$ 126,295

Condensed Consolidating Statements of Cash Flows

(in thousands)	Nine Months Ended September 30, 2007				
	Swift Energy Co. (Parent and Co-obligor)	**Swift Energy Operating, LLC (Co-obligor)**	**Other Subsidiaries**	**Eliminations**	**Swift Energy Co. Consolidated**
Cash flow from operations	$ ---	$ 322,220	$ 18,099	$ ---	$ 340,319
Cash flow from investing activities	---	(323,147)	(9,095)	(2,952)	(335,194)
Cash flow from financing activities	---	5,528	(2,952)	2,952	5,528
Net increase in cash	$ ---	$ 4,601	$ 6,052	$ ---	$ 10,653
Cash, beginning of period	---	50	1,008	---	1,058
Cash, end of period	$ ---	$ 4,651	$ 7,060	$ ---	$ 11,711

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

(in thousands)	Nine Months Ended September 30, 2006				
	Swift Energy Co. (Parent and Co-obligor)	**Swift Energy Operating, LLC (Co-obligor)**	**Other Subsidiaries**	**Eliminations**	**Swift Energy Co. Consolidated**
Cash flow from operations	$ ---	$ 281,570	$ 29,113	$ ---	$ 310,683
Cash flow from investing activities	---	(237,602)	(46,844)	10,105	(274,342)
Cash flow from financing activities	---	5,772	10,105	(10,105)	5,772
Net increase in cash	$ ---	$ 49,740	$ (7,627)	$ ---	$ 42,113
Cash, beginning of period	---	44,911	8,094	---	53,005
Cash, end of period	$ ---	$ 94,651	$ 467	$ ---	$ 95,118

(10) Segment Information

Swift Energy has two reportable segments, one domestic and one foreign, both of which are in the business of oil and natural gas exploration and production. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We evaluate our performance based on pre-tax profit or loss from oil and gas operations before price-risk management and other, net, general and administrative, net, debt retirement costs, and interest expense, net. Our reportable segments are managed separately based on their geographic locations. Financial information by operating segment is presented below:

(in thousands)	Three Months Ended September 30,					
	2007			**2006**		
	Domestic	**New Zealand**	**Total**	**Domestic**	**New Zealand**	**Total**
Oil and gas sales	$ 170,001	$ 9,524	$ 179,525	$ 153,754	$ 19,615	$ 173,369
Costs and Expenses:						
Depreciation, depletion and amortization	48,431	5,137	53,568	37,619	8,249	45,868
Accretion of asset retirement obligation	341	47	388	134	38	172
Lease operating costs	17,896	3,634	21,530	9,620	3,306	12,926
Severance and other taxes	19,531	621	20,152	17,252	1,238	18,490
Income from oil and gas operations	$ 83,802	$ 85	$ 83,887	$ 89,129	$ 6,784	$ 95,913

Price-risk management and other, net	1,695	90
General and administrative, net	10,265	8,018
Interest expense, net	5,700	5,776
Income Before Income Taxes	$ 69,617	$ 82,209

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-Continued
SWIFT ENERGY COMPANY AND SUBSIDIARIES

(in thousands)	Nine Months Ended September 30,					
	2007			**2006**		
	Domestic	**New Zealand**	**Total**	**Domestic**	**New Zealand**	**Total**
Oil and gas sales	$ 456,534	$ 31,694	$ 488,228	$ 403,129	$ 50,187	$ 453,316
Costs and Expenses:						
Depreciation, depletion and amortization	134,007	16,887	150,894	97,614	22,537	120,151
Accretion of asset retirement obligation	1,031	139	1,170	555	111	666
Lease operating costs	49,788	10,172	59,960	36,342	9,502	45,844
Severance and other taxes	53,372	2,093	55,465	45,958	3,253	49,211
Income from oil and gas operations	$ 218,336	$ 2,403	$ 220,739	$ 222,660	$ 14,784	$ 237,444
Price-risk management and other, net			2,254			3,489
General and administrative, net			29,295			23,323
Interest expense, net			19,742			17,436
Debt retirement cost			12,765			---
Income Before Income Taxes			$ 161,191			$ 200,174
Total Assets	$ 1,511,303	$ 255,266	$ 1,766,569	$ 1,170,096	$ 266,407	$ 1,436,503

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RSULTS OF OPERATIONS
SWIFT ENERGY COMPANY AND SUBSIDIARIES

ITEM 2.

You should read the following discussion and analysis in conjunction with our financial information and our condensed consolidated financial statements and notes thereto included in this report and our Annual Report on Form 10-K for the year ended December 31, 2006. The following information contains forward-looking statements. For a discussion of limitations inherent in forward-looking statements, see "Forward-Looking Statements" on page 31 of this report.

Overview

Swift Energy's third quarter included both strong domestic production and increased crude oil and NGL prices. Given the current commodity price environment, our production weighting of 68% crude oil and NGLs continues to aid our overall price realizations. Including our October 2007 South Texas acquisition, we estimate full year 2007 production growth of 3% to 4% over 2006 levels. We had previously reduced this amount to 1% to 3% due to timing delays with projects and market constraints domestically, and production declines in New Zealand. Similarly, including the South Texas acquisition, we now estimate reserves growth will be between 7% and 12% for the year, without any adjustments for the strategic review outcome of our New Zealand assets. Facility, pressure maintenance and pipeline expansions scheduled for completion in 2008 will help alleviate the production constraints in our South Louisiana region.

During the second quarter of 2007, we began a review of strategic alternatives for our New Zealand operating unit, Swift Energy New Zealand, Ltd., often referred to as "SENZ." Such alternatives include an outright sale or merger of some or all of the properties and facilities, entry into joint ventures or reshaping of our long-term operational strategy there. We retained Scotia Waterous (USA) Inc. as an advisor to the potential sale of some or all of our New Zealand assets owned and operated by SENZ. The strategic review is expected to be completed by year end.

In October 2007, we acquired interests in three South Texas fields in the Maverick Basin from Escondido Resources, LP. The total price for these interests was approximately $249.5 million. The property interests are located in the Sun TSH field in La Salle County, the Briscoe Ranch field primarily in Dimmit County, and the Las Tiendas field in Webb County. We plan to add more producing acreage in this area as well, and maintain a two rig drilling program in this area into 2008.

In the third quarter of 2007 as compared to the same period in 2006, our revenues increased 4% to $181.2 million but total costs increased 22% during the same period to $111.6 million, resulting in net income of $42.3 million, a 17% decrease. Our revenue increase is attributable to higher oil and NGL prices and higher domestic natural gas production, offset by decreased production in New Zealand. Our overall production decreased 3% to 18.2 Bcfe for the third quarter of 2007 as compared to third quarter 2006 production, including domestic production of 16.2 Bcfe, a 7% increase, and 1.9 Bcfe produced in New Zealand, a 45% decrease. For the nine months ended September 30, 2007, net income decreased 20% to $101.4 million, revenues increased 7% to $490.5 million, and production increased 3% to a record 53.4 Bcfe, all as compared to the same period in 2006. The oil and gas sector, including Swift Energy Company, continued to see third party vendor costs increase during the third quarter.

Cash flow provided by operating activities increased 6% to $134.3 million for the third quarter of 2007, again compared to the cash flow provided by operating activities in the third quarter of 2006.

To allow for further production increases in our South Louisiana region, construction continues on a new barge mounted production facility. This facility will add 10,000 barrels per day of oil processing capacity in Lake Washington, and will be completed in the first half of 2008. Planning for an expansion of pipeline capacity in Bay de Chene began during the second quarter of 2007. This expansion is also expected to be completed in 2008.

We will continue to utilize our proprietary merged 3D seismic data set in and around our asset base. This data set is allowing our high impact exploration inventory to grow in conjunction with an improving developmental drilling program. We currently have a total of 11 rigs operating, including five barge rigs in our South Louisiana region, with two in the Lake Washington area, one rig in both the Bay de Chene and Cote Blanche Island Fields, as well a non-operated rig in the Bayou Sale/Horseshoe Bayou area. We also have six land rigs currently operating, three rigs in the AWP Olmos area, two rigs operating in South Bearhead Creek, and one rig in the recently acquired Sun TSH area and a second rig is expected to return to this South Texas area in the near future. No drilling activity occurred in our New Zealand region during the first nine months of 2007 and due to the on-going strategic review, no new drilling activity is planned for the remainder of the year.

Results of Operations – Three Months Ended September 30, 2007 and 2006

Revenues. Our revenues in the third quarter of 2007 increased by 4% compared to revenues in the same period in 2006, due primarily to an increase in oil prices and higher domestic natural gas production, partially offset by decreased production in New Zealand. In the third quarter of 2007, oil production made up 61% of total production, natural gas made up 32%, and NGL represented 7%. In the third quarter of 2006, oil production made up 64% of total production, natural gas made up 29%, and NGL represented 7%.

Our third quarter 2007 weighted average prices increased 7% to $9.89 per Mcfe from $9.24 in the third quarter of 2006, with oil prices increasing 9% to $76.17 per barrel from $69.62, natural gas prices increasing 5% to $5.11 per Mcf from $4.87, and NGL prices rising 26% to $45.59 per barrel from $36.18.

The following table provides additional information regarding the changes in the sources of our oil and gas sales and volumes for the periods ended September 30, 2007 and 2006:

	Three Months Ended September 30,			
Regions	**Oil and Gas Sales (In Millions)**		**Net Oil and Gas Sales Volumes (Bcfe)**	
	2007	**2006**	**2007**	**2006**
South Texas	$ 12.7	$ 15.0	1.8	2.2
Toledo Bend	13.6	10.1	1.5	1.3
South Louisiana	142.4	127.9	12.8	11.6
Other	1.3	0.8	0.1	0.1
Total Domestic	$ 170.0	$ 153.8	16.2	15.2
New Zealand	9.5	19.6	1.9	3.5
Total	$ 179.5	$ 173.4	18.2	18.8

The following table provides additional information regarding our quarterly oil and gas sales:

	Sales Volume				Average Sales Price		
	Oil (MBbl)	NGL (MBbl)	Gas (Bcf)	Combined (Bcfe)	Oil (Bbl)	NGL (Bbl)	Gas (Mcf)
2007							
Three Months Ended September 30:							
Domestic	1,783	189	4.4	16.2	$ 76.20	$ 48.89	$ 5.68
New Zealand	48	41	1.4	1.9	$ 74.92	$ 30.17	$ 3.32
Total	1,831	230	5.8	18.2	$ 76.17	$ 45.59	$ 5.11
2006							
Three Months Ended September 30:							
Domestic	1,824	159	3.3	15.2	$ 69.54	$ 42.37	$ 6.07
New Zealand	168	61	2.2	3.5	$ 70.49	$ 20.09	$ 3.04
Total	1,992	220	5.5	18.8	$ 69.62	$ 36.18	$ 4.87

In the third quarter of 2007, our $6.2 million increase in oil, NGL, and natural gas sales resulted from:

- Volume variances that had a $9.3 million unfavorable impact on sales, with $11.2 million of decreases coming from the 161,000 Bbl decrease in oil sales volumes, partially offset by $0.4 million of increases attributable to the 10,000 Bbl increase in NGL sales volumes, and $1.5 million of increases due to the 0.3 Bcf increase in gas sales volumes; and
- Price variances that had a $15.5 million favorable impact on sales, with $12.0 million of increases attributable to the 9% increase in average oil prices received, $1.4 million of increases attributable to the 5% increase in average gas prices received, and $2.1 million of increases attributable to the 26% increase in average NGL prices received.

Costs and Expenses. Our expenses in the third quarter of 2007 increased $20.4 million, or 22%, compared to expenses in the same period of 2006. The increase was mainly due to a $7.7 million increase in DD&A as our production and the depletable oil and gas property base increased, an $8.6 million increase in lease operating expenses due to increased production and higher processing costs in the current quarter, and a reduction of cost in the third quarter of 2006 related to the settlement of insurance claims from hurricanes Katrina and Rita.

Our third quarter 2007 general and administrative expenses, net, increased $2.2 million, or 28%, from the level of such expenses in the same 2006 period. This increase was primarily due to costs associated with the New Zealand strategic evaluation project along with ongoing support costs of our new computer system implemented in 2007. For the third quarters of 2007 and 2006, our capitalized general and administrative costs, including capitalized stock compensation, totaled $7.6 million and $8.1 million, respectively. Our net general and administrative expenses per Mcfe produced were $0.57 per Mcfe in the third quarter 2007 and $0.43 per Mcfe in the third quarter of 2006. The portion of supervision fees recorded as a reduction to general and administrative expenses was $2.7 million for the third quarter of 2007 and $2.2 million for the 2006 period.

DD&A increased $7.7 million, or 17%, in the third quarter of 2007 from the level of those expenses in the same period of 2006. Domestically, DD&A increased $10.8 million in the third quarter of 2007 due to increases in the depletable oil and gas property base, including future development costs and higher production in the 2007 period. In New Zealand, DD&A decreased by $3.1 million in the third quarter of 2007 due to lower production during the 2007 period and due to decreases in the depletable oil and gas property base, partially offset by lower reserves volumes. Our DD&A rate per Mcfe of production was $2.95 and $2.45 in the third quarters of 2007 and 2006, respectively.

We recorded $0.4 million and $0.2 million of accretion to our asset retirement obligation in the third quarters of 2007 and 2006.

Our lease operating costs in the third quarter of 2007 increased $8.6 million, or 67%, over the level of such expenses in the same 2006 period. Domestically, lease operating costs increased $8.3 million due to higher production from our South Louisiana area, including costs from properties acquired in the fourth quarter of 2006, and a change in the recognition of natural gas and NGL processing costs in the 2007 period. The third quarter of 2006 was also impacted by a $2.8 million reduction in costs related to the settlement of insurance claims from hurricanes Katrina and Rita. Our lease operating costs in New Zealand increased by $0.3 million due to increases in plant and well operating costs. Our lease operating costs per Mcfe produced were $1.19 in the third quarter of 2007 and $0.69 in the third quarter of 2006.

In the third quarter of 2007, severance and other taxes increased $1.7 million, or 9%, over levels in the third quarter of 2006. The increase was due primarily to increased domestic production volumes and commodity pricing. Severance and other taxes, as a percentage of oil and gas sales, were approximately 11.2% and 10.7% in the third quarters of 2007 and 2006, respectively.

Our total interest cost in the third quarter of 2007 was $7.9 million, of which $2.2 million was capitalized. Our total interest cost in the third quarter of 2006 was $8.0 million, of which $2.2 million was capitalized. We capitalize a portion of interest related to unproved properties. The decrease of interest expense in the third quarter of 2007 was primarily attributable to decreased interest costs on our notes as a result of our notes refinancing during the second quarter of 2007, partially offset by an increase in borrowings against our line of credit.

Our overall effective tax rate was 39.3% and 38.2% in the third quarters of 2007 and 2006. The increase from the third quarter of 2006 rate is primarily attributable to the $2.6 million increase in the valuation allowance of our capital loss carryforward asset which was recorded in the third quarter of 2007. Additionally, the effective income tax rate for both periods was higher than the U.S. statutory rate due to state income taxes, partially offset by reductions attributable to the currency effect on the New Zealand operations.

Net Income. For the third quarter of 2007, our net income of $42.3 million was 17% lower, and Basic EPS of $1.41 was 19% lower, than our third quarter of 2006 net income of $50.8 million and Basic EPS of $1.74. Our Diluted EPS in the third quarter of 2007 of $1.38 was 18% lower than our third quarter of 2006 Diluted EPS of $1.68. These lower amounts are due to an increase in costs that exceeded the increase in oil and gas revenues during the third quarter of 2007.

Results of Operations – Nine months Ended September 30, 2007 and 2006

Revenues. Our revenues in the first nine months of 2007 increased by 7% compared to revenues in the same period in 2006, due primarily to an increase in production from our South Louisiana region, which includes the properties acquired during the fourth quarter of 2006, partially offset by lower production in New Zealand. These gains were increased by higher NGL prices and higher New Zealand natural gas prices. In the first nine months of 2007, oil production made up 63% of total production, natural gas made up 30%, and NGL represented 7%. In the first nine months of 2006, oil production made up 61% of total production, natural gas made up 33%, and NGL represented 6%. The percentage of our total production from oil increased as production in the South Louisiana region, which is predominantly oil, increased over 2006 levels.

Our first nine months of 2007 weighted average prices increased 4% to $9.14 per Mcfe from $8.78 in the first nine months of 2006, with oil prices decreasing slightly to $66.89 per barrel from $66.92, natural gas prices increasing 9% to $5.48 per Mcf from $5.02, and NGL prices rising 26% to $41.29 per barrel from $32.69.

The following table provides additional information regarding the changes in the sources of our oil and gas sales and volumes for the nine months ended September 30, 2007 and 2006:

	Nine Months Ended September 30,			
Regions	**Oil and Gas Sales (In Millions)**		**Net Oil and Gas Sales Volumes (Bcfe)**	
	2007	**2006**	**2007**	**2006**
South Texas	$ 39.5	$ 48.6	5.4	6.6
Toledo Bend	32.7	27.4	3.8	3.4
South Louisiana	380.7	323.7	37.4	30.6
Other	3.6	3.4	0.4	0.5
Total Domestic	$ 456.5	$ 403.1	47.0	41.1
New Zealand	31.7	50.2	6.4	10.5

Total	$	488.2	$	453.3	53.4	51.6

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The following table provides additional information regarding our oil & gas sales for the nine months ended September 30, 2007 and 2006:

	Sales Volume				Average Sales Price		
	Oil (MBbl)	**NGL (MBbl)**	**Gas (Bcf)**	**Combined (Bcfe)**	**Oil (Bbl)**	**NGL (Bbl)**	**Gas (Mcf)**
2007							
Nine Months Ended September 30:							
Domestic	5,428	457	11.7	47.0	$ 66.76	$ 44.90	$ 6.32
New Zealand	172	136	4.6	6.5	$ 71.06	$ 29.16	$ 3.35
Total	5,600	593	16.3	53.4	$ 66.89	$ 41.29	$ 5.48
2006							
Nine Months Ended September 30:							
Domestic	4,866	319	10.0	41.1	$ 66.75	$ 41.29	$ 6.53
New Zealand	373	191	7.1	10.5	$ 69.13	$ 18.29	$ 2.92
Total	5,239	510	17.1	51.6	$ 66.92	$ 32.69	$ 5.02

In the first nine months of 2007, our $34.9 million increase in oil, NGL, and natural gas sales resulted from:

- Volume variances that had a $22.6 million favorable impact on sales, with $24.2 million of increases coming from the 361,000 Bbl increase in oil sales volumes, and $2.7 million of increases attributable to the 83,000 Bbl increase in NGL sales volumes, partially offset by $4.3 million of decreases due to the 0.9 Bcf decrease in gas sales volumes; and

- Price variances that had a $12.3 million favorable impact on sales, of which $7.4 million of increases attributable to the 9% increase in average gas prices received, and by $5.1 million of increases attributable to the 26% increase in average NGL prices received, offset slightly by $0.2 million of decreases attributable to the less than 1% decrease in average oil prices received.

Costs and Expenses. Our expenses in the first nine months of 2007 increased $72.7 million, or 28%, compared to expenses in the same period of 2006. The increase was mainly due to a $30.7 million increase in DD&A as our production and depletable oil and gas property base increased, a $14.1 million increase in lease operating expenses due to higher production and processing costs, $12.8 million of debt retirement costs related to the redemption of our 9-3/8% Notes due 2012, and a $6.3 million increase in severance and other taxes due to increased domestic production volumes in the first nine months of 2007.

Our first nine months of 2007 general and administrative expenses, net, increased $6.0 million, or 26%, from the level of such expenses in the same 2006 period. This increase was primarily due to an expansion of our workforce and an increase in stock compensation expense, along with costs associated with the New Zealand strategic evaluation project and ongoing support costs of our new computer system implemented in 2007. For the first nine months of 2007 and 2006, our capitalized general and administrative costs, including capitalized stock compensation, totaled $23.0 million and $20.7 million, respectively. Our capitalized general and administrative expenses increased due to the expansion of our workforce and the capitalization of stock compensation related to the geological and geophysical workforce. Our net general and administrative expenses per Mcfe produced were $0.55 per Mcfe in the first nine months of 2007 and $0.45 per Mcfe in the first nine months of 2006. The portion of supervision fees recorded as a reduction to general and administrative expenses was $8.0 million for the first nine months of 2007 and $6.4 million for the 2006 period.

DD&A increased $30.7 million, or 26%, in the first nine months of 2007 from the level of those expenses in the same period of 2006. Domestically, DD&A increased $36.4 million in the first nine months of 2007 due to increases in the depletable oil and gas property base, including future development costs and higher production in the 2007 period. In New Zealand, DD&A decreased by $5.7 million in the first nine months of 2007 due to lower production and decreases in the depletable oil and gas property base, partially offset by lower reserves volumes. Our DD&A rate per Mcfe of production was $2.82 and $2.33 in the first nine months of 2007 and 2006, respectively.

We recorded $1.2 million and $0.7 million of accretions to our asset retirement obligation in the first nine months of 2007 and 2006.

Our lease operating costs in the first nine months of 2007 increased $14.1 million, or 31%, over the level of such expenses in the same 2006 period. Domestically, lease operating costs increased $13 due to higher production from our South Louisiana area, including costs from properties acquired in the fourth quarter of 2006, and a change in the recognition of natural gas and NGLprocessing costs in the 2007 period; while 2006 amounts included a $2.8 million reduction in costs related to the settlement of insurance claims from hurricanes Katrina and Rita. Our lease operating costs in New Zealand increased by $0.7 million due to increases in plant and well operating costs. Our lease operating costs per Mcfe produced were $1.12 in the first nine months of 2007 and $0.89 in the first nine months of 2006.

In the first nine months of 2007, severance and other taxes increased $6.3 million, or 13%, over levels in the first nine months of 2006. The increase was due primarily to higher production in South Louisiana. Severance taxes on oil in Louisiana are 12.5% of oil sales, which is higher than in the other states where we have production. As our percentage of oil production in Louisiana increases, the overall percentage of severance taxes to sales also increases. Severance and other taxes, as a percentage of oil and gas sales, were approximately 11.4% and 10.9% in the first nine months of 2007 and 2006, respectively.

Our total interest cost in the first nine months of 2007 was $26.9 million, of which $7.2 million was capitalized. Our total interest cost in the first nine months of 2006 was $24.0 million, of which $6.6 million was capitalized. We capitalize a portion of interest related to unproved properties. The increase of interest expense in the first nine months of 2007 was primarily attributable to increased borrowings against our line of credit and was also impacted by our note refinancing as we recorded, in June 2007, a partial month of interest on our retired $200 million notes and a full month of interest on our new $250 million notes. These increased costs were offset partially by higher capitalized costs and lower interest expense on our new $250 million notes during the third quarter of 2007. The increase in borrowings during the first nine months of 2007 was primarily due to our fourth quarter 2006 property acquisitions.

In the second quarter of 2007, we incurred $12.8 million of debt retirement costs related to the redemption of our 9-3/8% senior notes due 2012. The costs were comprised of approximately $9.4 million of premiums paid to repurchase the notes, and $3.4 million to write-off unamortized debt issuance costs.

Our overall effective tax rate was 37.1% and 36.9% in the first nine months of 2007 and 2006, respectively. The effective income tax rate for both periods was higher than the U.S. statutory rate primarily due to state income taxes, and was partially offset by reductions attributable to the currency effect on the New Zealand operations. The nine month period of 2007 was also impacted by a $2.6M increase in the valuation allowance of our capital loss carryforward asset, offset somewhat by a decrease in the New Zealand statutory tax rate.

Net Income. For the first nine months of 2007, our net income of $101.4 million was 20% lower, and Basic EPS of $3.39 was 22% lower, than our first nine months of 2006 net income of $126.3 million and Basic EPS of $4.33. Our Diluted EPS in the first nine months of 2007 of $3.32 was 21% lower than our first nine months of 2006 Diluted EPS of $4.20. These lower amounts are due to an increase in costs that exceeded the increase in oil and gas revenues during the first nine months of 2007 and were also impacted by the $12.8 million in expenses related to our notes refinancing during the second quarter of 2007.

Share-Based Compensation

Effective January 1, 2006, we adopted SFAS No. 123R, "Share-Based Payment" utilizing the

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modified prospective approach. Prior to the adoption of SFAS No. 123R, we accounted for stock option grants in accordance with APB No. 25, "Accounting for Stock Issued to Employees" (the intrinsic value method), and accordingly, recognized no compensation expense for employee stock option grants. The adoption of SFAS No. 123R increased our compensation expense related to employee stock option grants over pre-implementation period levels.

Under the modified prospective approach, SFAS No. 123R applies to new awards and to awards that were outstanding on January 1, 2006 as well as those that are subsequently modified, repurchased or cancelled. Under the modified prospective approach, compensation cost recognized in both the three months ended September 30, 2007 and 2006 includes compensation cost for all share-based awards granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, and compensation cost for all share-based awards granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. Prior periods were not restated to reflect the impact of adopting the new standard.

Upon adoption of SFAS 123R, we recorded an immaterial cumulative effect of a change in accounting principle as a result of our change in policy from recognizing forfeitures as they occur to recognizing expense based on our expectation of the amount of awards that will vest over the requisite service period for our restricted stock awards. This amount was recorded in "General and Administrative, net" in the accompanying condensed consolidated statements of operations.

We continue to use the Black-Scholes-Merton option pricing model to estimate the fair value of stock-option awards with the following weighted-average assumptions for the indicated periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Dividend yield	0%	0%	0%	0%
Expected volatility	37.5%	39.1%	38.5%	39.5%
Risk-free interest rate	4.0%	4.8%	4.8%	4.9%
Expected life of options (in years)	4.3	2.6	6.2	5.6
Weighted-average grant-date fair value	$ 14.83	$ 12.20	$ 20.05	$ 19.31

The expected term has been calculated using the Securities and Exchange Commission Staff's shortcut approach from Staff Accounting Bulletin No. 107. We have analyzed historical volatility and based on analysis of all relevant factors use a three-year period to estimate expected volatility of our stock option grants. We view all awards of stock compensation as a single award with an expected life equal to the average expected life of component awards and amortize the award on a straight-line basis over the life of the award.

At September 30, 2007, there was $3.8 million of unrecognized compensation cost related to stock options, which are expected to be recognized over a weighted-average period of 1.3 years, and unrecognized compensation expense of $18.9 million related to restricted stock awards which are expected to be recognized over a weighted-average period of 1.8 years. The compensation expense for restricted stock awards was determined based on the market price of our stock at the date of grant applied to the total numbers of shares that were anticipated to fully vest.

Contractual Commitments and Obligations

We had no material changes in our contractual commitments and obligations from December 31, 2006 amounts referenced under "Contractual Commitments and Obligations" in Management's Discussion and Analysis" in our Annual Report on form 10-K for the period ending December 31, 2006.

Internal Control over Financial Reporting

We began an implementation of a new computer system in early 2006; and effective April 1, 2007, we went operational with core elements of the new system. When fully functional, this system will fully integrate our accounting processes from production of oil and gas to receipt of cash and from procurement of products and services to payment for such costs. It also further automates our financial reporting processes. The system being replaced utilizes multiple systems that covered the production of oil and gas, procurement of products and services, and the financial reporting process. With this new computer system, we anticipate a positive impact on our internal control over financial reporting, and the Company has updated its internal control over financial reporting as necessary to accommodate these changes.

With this change, management testing of the effectiveness of the new system's impact on the Company's internal control environment is ongoing, and most likely will not be complete until late 2007. Until the system is fully tested, management continues to perform other parallel procedures and analyses related to the financial closing and accrual processes to ensure the integrity of our financial statements.

Commodity Price Trends and Uncertainties

Oil and natural gas prices historically have been volatile and are expected to continue to be volatile in the future. The price of oil has increased in 2007 from levels seen in late 2006 and it is currently significantly higher when compared to longer-term historical prices. Factors such as worldwide supply disruptions, worldwide economic conditions, weather conditions, fluctuating currency exchange rates, and political conditions in major oil producing regions, especially the Middle East and Africa, can cause wide fluctuations in the price of oil. Domestic natural gas prices continue to remain higher when compared to longer-term historical prices. North American weather conditions, the industrial and consumer demand for natural gas, storage levels of natural gas, availability of LNG from foreign sources, and the availability and accessibility of natural gas deposits in North America can cause significant fluctuations in the price of natural gas.

Income Tax Regulations

The tax laws in the jurisdictions in which we operate continuously change and professional judgments regarding such tax laws can differ.

On January 1, 2007, we adopted the recognition and disclosure provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"). Under FIN 48, tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. As a result of adopting FIN 48, we reported a $1.0 million decrease to our January 1, 2007 retained earnings balance and a corresponding increase to our deferred tax liability. This is also the total balance of our unrecognized tax benefits, which would fully impact our effective tax rate if recognized. We do not expect to recognize significant increases or decreases in unrecognized tax benefits during the year ended December 31, 2007.

Our policy is to record interest and penalties relating to income taxes in income tax expense. As of December 31, 2006 and September 30, 2007 no interest or penalties relating to income taxes have been recognized.

Our U.S. Federal and State of Louisiana income tax returns from 1998 forward remain subject to examination by tax authorities. Our Texas franchise tax returns for 2005 and prior years have been audited by the Texas State Comptroller. There are no unresolved items related to those audits. No other state returns are significant to our financial position. Our New Zealand income tax returns from 2002 forward remain subject to examination by the local tax authority.

In the third quarter of 2007 we increased the valuation allowance for our capital loss carryforward assets by $2.6 million. The increase in the valuation allowance is due to changes in our property disposition plans and increased income tax expense by $2.6 million in that period.

Liquidity and Capital Resources

During the first nine months of 2007, we relied upon our net cash provided by operating activities of $340.3 million to fund capital expenditures of $335.9 million. During the first nine months of 2006, we relied upon our net cash provided by operating activities of $310.7 million and proceeds from the sale of property and equipment of $20.3 million to fund capital expenditures of $295.5 million.

Subsequent Events. In October 2007, we acquired interests in three South Texas fields in the Maverick Basin from Escondido Resources, LP. The total price for these interests was approximately $249.5 million. The property interests are located in the Sun TSH field in La Salle County, the Briscoe Ranch field primarily in Dimmit County, and the Las Tiendas field in Webb County. We have recorded $24.5 million in "Other current assets" at September 30, 2007 related to the deposit for this acquisition.

Acquisitions. In October 2006, we acquired interests in five South Louisiana fields from BP America Production Company. The total price for these interests was approximately $168 million. The property interests are located primarily in: Bayou Sale, Horseshoe Bayou and Jeanerette fields (all located in St. Mary Parish), High Island field in Cameron Parish and Bayou Penchant field in Terrebonne Parish. In addition, we have acquired virtually all of the remaining outstanding interest in the South Bearhead Creek field, located in Beauregard Parish, Louisiana, for $4.5 million in November 2006.

Net Cash Provided by Operating Activities. For the first nine months of 2007, our net cash provided by operating activities was $340.3 million, representing a 10% increase as compared to $310.7 million generated during the same 2006 period. The $29.6 million increase in the first nine months of 2007 was primarily due to adding back increased DD&A and debt retirement costs, and an increase in accounts receivable in the 2006 period, somewhat offset by a lower net income and deferred income taxes for the nine months ended at September 30, 2007.

Accounts Receivable. We assess the collectibility of accounts receivable, and based on our judgment, we accrue a reserve when we believe a receivable may not be collected. At both September 30, 2007 and December 31, 2006, we had an allowance for doubtful accounts of less than $0.1 million. The allowance for doubtful accounts has been deducted from the total "Accounts receivable" balances on the accompanying balance sheets.

Existing Bank Credit Facility. We had no borrowings at September 30, 2007 and $31.4 million in borrowings under our bank credit facility at December 31, 2006. On June 1, 2007, the facility was paid down with proceeds from the issuance of $250.0 million in senior notes issued on that date as described below along with cash flow from operating activities during that period. Effective November 2007, our bank credit facility consists of a $500.0 million revolving line of credit with a $400.0 million borrowing base. The borrowing base is re-determined at least every six months and the next scheduled review is in May 2008. Under the terms of our bank credit facility, we can increase the commitment amount to the total amount of the borrowing base at our discretion, subject to the terms of the credit agreement. In September 2007, we increased the commitment amount from $250.0 million to $350.0 million. Our revolving credit facility includes requirements to maintain certain minimum financial ratios (principally pertaining to adjusted working capital ratios and EBITDAX), and limitations on incurring other debt. We are in compliance with the provisions of this agreement.

Our access to funds from our credit facility is not restricted under any “material adverse condition” clause, a clause that is common for credit agreements to include. A “material adverse condition” clause can remove the obligation of the banks to fund the credit line if any condition or event would reasonably be expected to have an adverse or material effect on our operations, financial condition, prospects or properties, and would impair our ability to make timely debt repayments. Our credit facility includes

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covenants that require us to report events or conditions having a material adverse effect on our financial condition. The obligation of the banks to fund the credit facility is not conditioned on the absence of a material adverse effect.

Repurchase of Senior Subordinated Notes due 2012. On June 18, 2007, we redeemed all $200.0 million of our senior subordinated notes due 2012, and recorded debt retirement costs of $12.8 million related to this redemption.

Issuance of Senior Notes due 2017. These notes consist of $250.0 million of 7-1/8% senior notes due 2017, which were issued on June 1, 2007 at 100% of the principal amount and will mature on June 1, 2017. We incurred approximately $4.2 million of debt issuance costs related to these notes, which is included in "Debt issuance costs" on the accompanying balance sheets and will be amortized to interest expense, net over the life of the notes using the effective interest method.

Debt Maturities. Our credit facility, which did not have a balance at September 30, 2007, extends until October 3, 2011. Our $150.0 million of 7-5/8% senior notes mature July 15, 2011, and our $250.0 million of 7-1/8% senior notes mature June 1, 2017.

Working Capital. Our working capital improved from a deficit of $53.4 million at December 31, 2006, to a deficit of $19.9 million at September 30, 2007. The improvement was primarily due to our 2007 cash provided by operating activities exceeding our cash used in investing activities along with the issuance of our Notes due 2017 offset by the repurchase of our Notes due 2012 in June 2007.

Capital Expenditures. In the first nine months of 2007, we relied upon our net cash provided by operating activities of $340.3 million to fund capital expenditures of $335.9 million. Our total capital expenditures of approximately $335.9 million in the first nine months of 2007 included Domestic expenditures of $326.8 million and expenditures in New Zealand of $9.1 million.

We completed 35 of 42 domestic wells in the first nine months of 2007, for a success rate of 83%. A total of 21 wells were drilled in the Lake Washington area, of which 17 were completed, and seven wells were drilled and completed in the South Bearhead Creek area. Eight wells were also drilled and completed in the AWP Olmos area, and three out of six wells were drilled and completed in the Bay de Chene area. No drilling activity occurred in our New Zealand region during the first nine months of 2007 and due to the previously announced review of strategic alternatives in New Zealand, no drilling activity is planned there for the remainder of the year.

We adjusted our 2007 capital spending budget to a new range of $681 - $710 million, which now includes approximately $250 million for our October 2007 acquisition of South Texas properties, from the previous range of $375 - $400 million, which did not include acquisitions. Approximately 99% of the budget, excluding acquisitions, is targeted for domestic activities, predominantly in our South Louisiana region, with about 1% planned for maintenance activities in the New Zealand region. With our October 2007 South Texas acquisitions, we estimate full year production growth of 3% to 4% over 2006 levels, which includes domestic production growth of 13% to 14% over 2006 levels. Similarly, including the South Texas acquisition, we now believe reserves growth will be between 7% and 12% for the year, making no adjustments for the strategic review outcome of our New Zealand assets. We believe that capital expenditures will exceed our cash flow from operating activities, and we plan to fund these expenditures with our credit facility.

For the first nine months of 2007, we spent $335.9 million on capital expenditures compared to $295.5 for the 2006 period. For the last three months of 2007, we expect to make capital expenditures of approximately $345 to $375 million, including the October 2007 acquisition of South Texas properties. Capital expenditures for all of 2006 were $557.5 million.

During the last three months of 2007, we anticipate drilling or participation in the drilling of up to an additional nine wells in the South Louisiana region, an additional 20 wells, including properties purchased from Escondido Resources, LP, in the South Texas area, and up to four additional wells in the Toledo Bend region.

Our 2007 capital expenditures continue to be focused on developing and producing long-lived reserves in South Louisiana, South Texas, and Toledo Bend regions, along with property acquisitions and an expansion of our Lake Washington facilities. We expect our 2007 total production to increase over 2006 levels, primarily from our South Louisiana area, Toledo Bend area, and South Texas acquisitions. We expect production in our New Zealand region to decrease as a limited amount of new drilling is currently budgeted to offset the natural production decline of these regions.

New Accounting Pronouncements

Effective January 1, 2007, the Company adopted FASB Interpretation (FIN) No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"). This interpretation provides guidance for recognizing and measuring uncertain tax positions, as defined in SFAS No. 109, “Accounting for Income Taxes.” See additional discussion of FIN 48 in the Income Taxes section of the footnotes. As a result of adopting FIN 48, we reported a $1.0 million decrease to our January 1, 2007 retained earnings balance and a corresponding increase to our deferred tax liability.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 addresses how companies should approach measuring fair value when required by GAAP; it does not create or modify any current GAAP requirements to apply fair value accounting. SFAS No. 157 provides a single definition for fair value that is to be applied consistently for all accounting applications, and also generally describes and prioritizes, according to reliability, the methods and inputs used in valuations. SFAS No. 157 prescribes various disclosures about financial statement categories and amounts which are measured at fair value, if such disclosures are not already specified elsewhere in GAAP. The new measurement and disclosure requirements of SFAS No. 157 are effective for us in the first quarter 2008. The Company has not yet determined what impact, if any, this statement will have on its financial position or results of operations.

Forward Looking Statements

The statements contained in this report that are not historical facts are forward-looking statements as that term is defined in Section 21E of the Securities and Exchange Act of 1934, as amended. Such forward-looking statements may pertain to, among other things, financial results, capital expenditures, drilling activity, development activities, cost savings, production efforts and volumes, hydrocarbon reserves, hydrocarbon prices, liquidity, regulatory matters and competition. Such forward-looking statements generally are accompanied by words such as "plan," "future," "estimate," "expect," "budget," "predict," "anticipate," "projected," "should," "believe" or other words that convey the uncertainty of events or outcomes. Such forward-looking information is based upon management's current plans, expectations, estimates and assumptions, upon current market conditions, and upon engineering and geologic information available at this time, and is subject to change and to a number of risks and uncertainties, and therefore, actual results may differ materially. Among the factors that could cause actual results to differ materially are the uncertainty of finding, replacing, developing or acquiring reserves; fluctuations in crude oil, natural gas and natural gas liquids prices or demand; adequate availability of markets, facilities, skilled personnel, services and supplies; hurricanes or tropical storms affecting operations; the uncertainty of drilling results; potential failure or delays in achieving reserve or production levels from existing and future oil and gas development projects due to operating hazards, drilling risks and the inherent uncertainties in predicting oil and gas reserves and oil and gas reservoir performance; requirements for capital; general economic conditions; changes in geologic or engineering information; changes in market conditions; competition and government regulations; as well as the risks and uncertainties discussed herein, and set forth from time to time in our other public reports, filings and public statements. Also, because of the volatility in oil and gas prices and other factors, interim results are not necessarily indicative of those for a full year.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Commodity Risk

Our major market risk exposure is the volatile commodity pricing applicable to our oil and natural gas production. Realized commodity prices received for such production are primarily driven by the prevailing worldwide price for crude oil and spot prices applicable to natural gas. The effects of such pricing volatility are expected to continue.

Our price-risk management policy permits the utilization of derivative instruments (such as futures, forward contracts, swaps, and option contracts such as floors and collars) to mitigate price risk associated with fluctuations in oil and natural gas prices. Below is a description of the derivative instruments we have utilized to hedge our exposure to price risk.

- Price Floors, Collars, and Swaps – At September 30, 2007, we did not have any price floors, collars, or swaps in place.

- New Zealand Gas Contracts – All of our current gas production in New Zealand is sold under fixed-price contracts denominated in New Zealand dollars. These contracts protect against price volatility, and our revenue from these contracts will vary only due to production fluctuations and foreign exchange rates.

Customer Credit Risk

We are exposed to the risk of financial non-performance by customers. Our ability to collect on sales to our customers is dependent on the liquidity of our customer base. To manage customer credit risk, we monitor credit ratings of customers and seek to minimize exposure to any one customer where other customers are readily available. Due to availability of other purchasers, we do not believe that the loss of any single oil or gas customer would have a material adverse effect on our financial position or results of operations.

Foreign Currency Risk

We are exposed to the risk of fluctuations in foreign currencies, most notably the New Zealand dollar. Fluctuations in rates between the New Zealand dollar and U.S. dollar may impact our financial results from our New Zealand subsidiaries since we have receivables, liabilities, natural gas and NGL sales contracts, and New Zealand income tax obligations, all denominated in New Zealand dollars. We use the U.S. dollar as our functional currency in New Zealand and because of this; our results of operations, cash flows and effective tax rate are impacted from fluctuations between the U.S. dollar and the New Zealand dollar.

Interest Rate Risk

Our Senior Notes due 2011 and Senior Notes due 2017 have fixed interest rates; consequently we are not exposed to cash flow risk from market interest rate changes on these notes. However, there is a risk that market rates will decline and the required interest payments on our Senior Notes and Senior Subordinated Notes may exceed those payments based on the current market rate. At September 30, 2007, we had no borrowings under our credit facility, which is subject to floating rates and therefore susceptible to interest rate fluctuations. The result of a 10% fluctuation in the bank's base rate would constitute 78 basis points and would not have a material adverse effect on our 2007 cash flows based on this same level or a modest level of borrowing.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. Our chief executive officer and chief financial officer have evaluated our disclosure controls and procedures as of the end of the period covered by this report and have concluded that such disclosure controls and procedures are effective in ensuring that material information required to be disclosed in this report is accumulated and communicated to them and our management to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during the third quarter of 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

SWIFT ENERGY COMPANY

PART II. - OTHER INFORMATION

Item 1. Legal Proceedings.

No material legal proceedings are pending other than ordinary, routine litigation incidental to the Company's business.

Item 1A. Risk Factors.

There have been no material changes in our risk factors from those disclosed in our 2006 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table summarizes repurchases of our common stock occurring during the third quarter of 2007:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
07/01/07 – 07/31/07 (1)	15,384	$42.47	---	$---
08/01/07 – 08/31/07 (1)	3,788	41.77	---	---
09/01/07 – 09/30/07 (1)	---	---	---	---
Total	19,172	$42.33	---	$---

(1) These shares were withheld from employees to satisfy tax obligations arising upon the vesting of restricted shares.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

1.1	Underwriting Agreement dated May 17, 2007 among Swift Energy Company, Swift Energy Operating, LLC and J.P. Morgan Securities Inc. (incorporated by reference as Exhibit 99.1 to Swift Energy Company's Form 8-K filed May 30, 2007, File No. 1-08754).
10.1*	Asset Purchase and Sale Agreement between Escondido Resources LP and Swift Energy Operating, LLC dated as of September 4, 2007 but effective as of July 1, 2007.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SWIFT ENERGY COMPANY
(Registrant)

Date: November 1, 2007	By:	/s/ Alton D. Heckaman, Jr. Alton D. Heckaman, Jr. Executive Vice President and Chief Financial Officer
Date: November 1, 2007	By:	/s/ David W. Wesson. David W. Wesson Controller and Principal Accounting Officer