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SWOT ANALYSIS AND FINANCIAL STABILITY CONDITIONS OF "UZBEKNEFTGAZ" JSC

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ABSTRACT
To ensure financial stability and maintain investor confidence, "O'zbekneftgaz" JSC must develop strong risk management strategies based on a comprehensive SWOT analysis. This article examines the key financial, operational, and environmental risks in the oil and gas sector, their impact on business performance, risk mitigation strategies, and the approaches "Uzbekneftgaz" JSC can adopt to strengthen its financial sustainability.
KEY WORDS. *Oil and gas industry, financial stability, investment attractiveness, risk management, geopolitical risks, credit rating, "Uzbekneftgaz" JSC, economic sustainability, SWOT analysis, Uzbekistan energy sector, market volatility, infrastructure development, regulatory challenges.*

INTRODUCTION

The oil and gas industry is one of the most critical sectors of the global economy, significantly influencing financial markets, industrial development, and energy security. However, this sector is exposed to numerous financial, economic, environmental, and geopolitical risks, which directly impact its stability and growth potential. In particular, Uzbekistan's oil and gas industry must adapt to global energy market fluctuations, currency exchange rate volatility, investment challenges, and the need for advanced technological innovations.

"Uzbekneftgaz" JSC, as one of the largest oil and gas companies in Uzbekistan, plays a crucial role in ensuring the country's energy independence and economic sustainability. The company's financial stability and investment attractiveness are vital for both national and foreign investors. According to Fitch Ratings (2024), "Uzbekneftgaz" JSC has been assigned a credit rating of "BB-" with a stable outlook, enabling it to attract investment and secure financing for its development projects. Furthermore, the World Bank (2023) report highlights that Uzbekistan's energy companies, including "Uzbekneftgaz," are among the key business entities facing geopolitical risks and resource-related uncertainties.

The primary financial risks in the oil and gas industry include fluctuations in oil and gas prices, challenges in attracting investment funds, financial conditions imposed by international lending institutions, and rising operational costs. Additionally, environmental risks have become increasingly important, as stricter international environmental regulations require oil and gas producers to invest in sustainable and eco-friendly technologies, adding additional financial burdens.

LITERATURE REVIEW

The oil and gas industry is a crucial sector of Uzbekistan's economy, significantly influencing the country's energy security and financial stability. "Uzbekneftgaz" JSC, as the dominant player in this sector, requires continuous financial assessment and strategic planning to maintain its competitiveness. Conducting a SWOT analysis allows for identifying the company's strengths, weaknesses, opportunities, and threats, thereby forming the foundation for ensuring financial sustainability. This literature review examines the financial-economic performance, investment attractiveness, and strategic management aspects of "Uzbekneftgaz" JSC based on existing research and reports.

A study by Umurzoqov (2022) explores the financial and economic performance of "Uzbekneftgaz" JSC, analyzing its market position, financial indicators, and existing risks through SWOT analysis. The findings suggest that, due to economic instability in Uzbekistan's energy sector, there is an urgent need for in-depth analysis of the current market conditions. The study highlights that "Uzbekneftgaz" JSC's development indicators should be evaluated to ensure financial sustainability and long-term investment growth (Umurzoqov, 2022).

A report by Urinbayev (2023) examines financial stability in Uzbekistan's oil and gas sector, focusing on investment management and risk mitigation strategies. The study finds that strategic investments in production infrastructure, diversification of revenue sources, and improved financial governance contribute to financial

stability in energy enterprises (Urinbayev, 2023). Furthermore, the World Bank (2023) emphasizes the importance of corporate financial transparency and risk assessment in increasing investor confidence and ensuring market stability.

Choriev (2023) investigates methods for enhancing the investment attractiveness of state-owned enterprises, including "Uzbekneftgaz" JSC. The study highlights institutional factors, governance reforms, and financial reporting improvements as key measures for attracting both domestic and foreign investors. It further argues that increasing transparency in oil and gas company financial statements significantly enhances their competitiveness in the global market (Choriev, 2023).

The "O‘zbekgeofizika" JSC (2021) business report includes a detailed SWOT analysis, identifying the company’s core competencies and challenges. According to this analysis, the company’s key strength is its position as the only provider of complex geophysical services in Uzbekistan. However, weaknesses include aging infrastructure and limited financial resources. The report suggests integrating advanced technologies and expanding international partnerships to enhance competitiveness ("O‘zbekgeofizika," 2021).

The review of existing literature demonstrates that "Uzbekneftgaz" JSC and other oil and gas companies in Uzbekistan must adopt a strategic approach to financial management, investment planning, and risk mitigation to maintain long-term stability. SWOT analysis serves as a vital tool for identifying strengths and weaknesses, leveraging opportunities, and mitigating potential threats. Future research should focus on innovative investment strategies, financial restructuring, and technology adoption in Uzbekistan’s oil and gas sector to ensure continued economic growth and competitiveness.

ANALYSIS AND DISCUSSION

As one of Uzbekistan’s largest oil and gas companies, "Uzbekneftgaz" JSC plays a vital role in ensuring the country's energy independence and economic stability. The company’s ability to attract investment, maintain financial stability, and manage industry risks is crucial for its long-term sustainability. Given the fluctuations in global energy markets, geopolitical uncertainties, and technological advancements, "Uzbekneftgaz" must continuously adapt its financial strategies to remain competitive.

One of the key indicators of financial stability is the company's credit rating, which reflects its ability to manage debt and attract foreign investment. According to Fitch Ratings (2024), "Uzbekneftgaz" was assigned a "BB-" credit rating with a stable outlook, indicating moderate financial health with controlled risk exposure. This rating allows the company to secure financing for infrastructure projects and operational expansion, contributing to long-term investment appeal.

However, the World Bank (2023) report highlights that Uzbekistan's energy sector, including "Uzbekneftgaz," faces geopolitical risks and resource-related uncertainties. Factors such as global oil and gas price fluctuations, foreign exchange volatility, and supply chain disruptions could impact the company’s profitability and financial standing. To mitigate these risks, "Uzbekneftgaz" should focus on diversifying revenue streams, optimizing production costs, and securing stable foreign partnerships.

Investment attractiveness in the oil and gas sector depends on regulatory transparency, infrastructure development, and profitability expectations. Uzbekistan has been working on liberalizing its energy markets, which provides new opportunities for foreign investors. By enhancing its corporate governance and financial disclosure practices, "Uzbkneftgaz" can increase investor confidence and expand access to international capital markets.

One of the key initiatives undertaken by the company is the modernization of production infrastructure through new technological investments. This is in line with the Uzbekistan 2030 Development Strategy, which emphasizes sustainable energy production and resource efficiency. In addition, international agreements such as the Air Products partnership for GTL plant operations demonstrate the company’s potential to attract foreign direct investments (FDIs) and enhance its technological capabilities.

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Table 1. Oil, Gas, Petroleum Products, and Petrochemical Sales (in billion UZS)[1]

Category	For six months ended June 30, 2024	For six months ended June 30, 2023
Sales of refined oil and gas products	8,058	7,122
Sales of natural gas	4,471	3,979
Sales of petrochemical products	911	1,012
Processing of tolling gas	586	493
Processing of tolling oil	67	31
Gas transportation	47	35
Sales of other products	176	354
Total sales of oil, gas, petroleum products, and petrochemicals	**14,316**	**13,026**
Market	**2024**	**2023**
Uzbekistan	14,316	12,629
Other countries	-	397
Total sales of oil, gas, petroleum products, and petrochemicals	**14,316**	**13,026**

The data indicates a 9.9% increase in total sales of oil, gas, petroleum products, and petrochemicals, reaching 14,316 billion UZS in the first six months of 2024, compared to 13,026 billion UZS in the same period of 2023. The strongest growth was observed in the sales of refined oil and gas products, which rose from 7,122 billion UZS to 8,058 billion UZS (+13.1%), and in processing of tolling gas, which grew by 18.9%. However, sales of petrochemical products declined by 10%, indicating possible demand fluctuations or production challenges. Additionally, exports, which accounted for 397 billion UZS in 2023, were absent in 2024, suggesting a shift toward domestic market reliance. This shift may reflect government policies prioritizing local supply, changes in export agreements, or geopolitical factors impacting international sales. The overall increase in revenue suggests strong domestic demand and improved operational efficiency, but the lack of exports and lower petrochemical sales require strategic adjustments to maintain balanced growth.

Table 2. Production Expenses (in billion UZS)[2]

Category	For six months ended June 30, 2024	For six months ended June 30, 2023
Salaries and wages	1,149	894
Services	575	399
Repairs and maintenance	427	224
Utilities	268	277
Insurance	179	-
Raw materials	63	-
Other expenses	163	78
Total production expenses	**2,824**	**1,872**

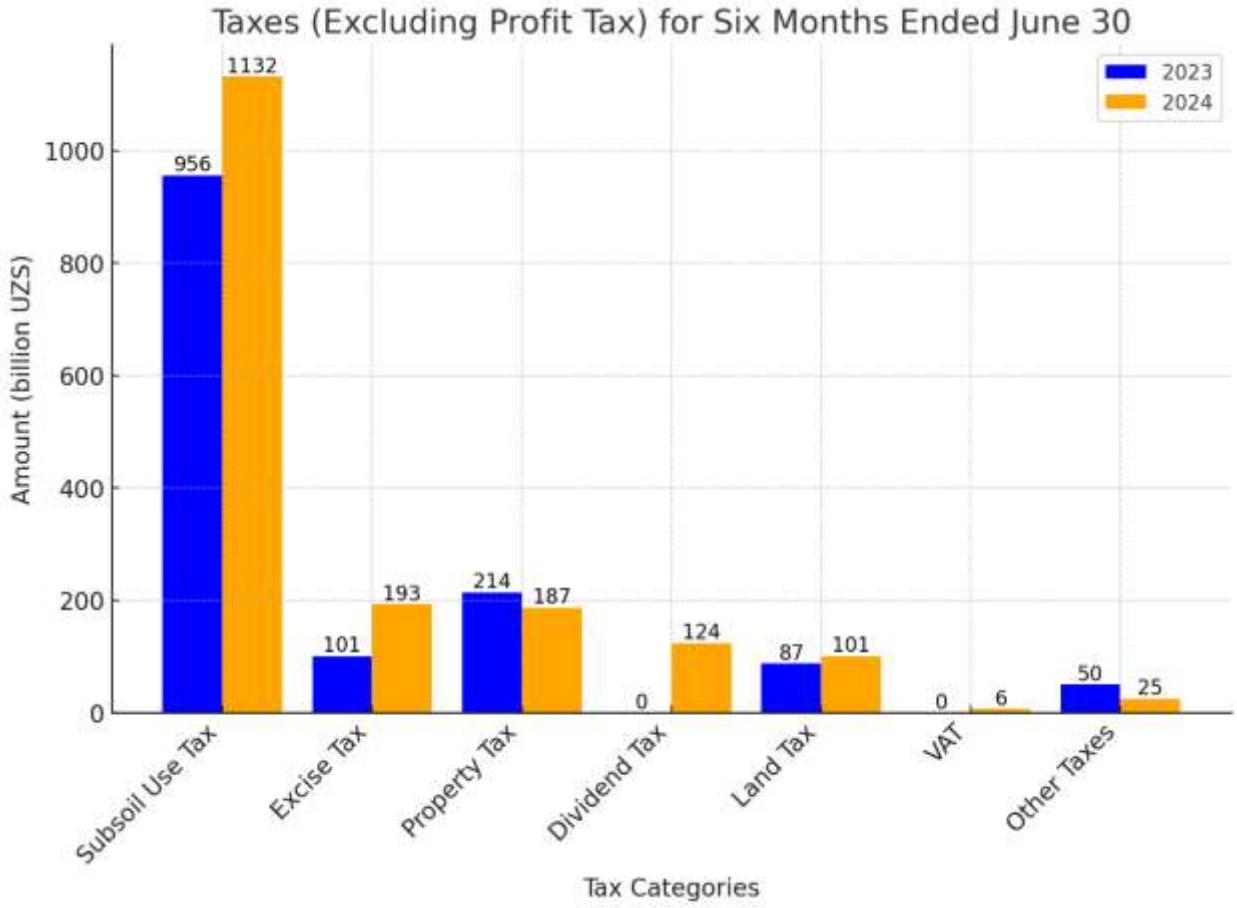
The total production expenses increased by 50.9%, reaching 2,824 billion UZS in the first six months of 2024, compared to 1,872 billion UZS in the same period of 2023. The most significant rise was observed in salaries and wages, which grew by 28.5%, indicating possible wage adjustments or workforce expansion. Service costs increased by 43.9%, while repairs and maintenance expenses almost doubled, suggesting higher operational costs or increased maintenance activities to improve infrastructure efficiency. Insurance and raw material costs, which were not recorded in 2023, contributed 242 billion UZS to the 2024 expenses, reflecting new financial liabilities or expanded production activities. These rising costs correlate with the increase in total sales, as seen in the revenue data, suggesting higher production output and operational investments. However, the sharp rise in expenses highlights the need for cost optimization, particularly in service procurement and maintenance activities, to maintain profitability despite increased revenue.

The total tax expenses (excluding profit tax) increased from 1,408 billion UZS in 2023 to 1,768 billion UZS in 2024, representing a 25.5% growth. The largest tax burden remains the subsoil use tax, which grew from 956 billion UZS to 1,132 billion UZS (+18.4%), reflecting increased resource extraction or higher taxation rates. Excise tax nearly doubled (+91%), suggesting possible adjustments in fuel product taxation or increased sales volumes. The introduction of a dividend tax (124 billion UZS in 2024) adds a new financial liability for the company. Property tax decreased slightly (-12.6%), while land tax increased by 16.1%, reflecting adjustments in asset valuation and land-use policies. Additionally, VAT (6 billion UZS) appeared in 2024, indicating changes in

[1] *https://www.ung.uz/shareholders/reports/11/sub/28/1*
[2] *https://www.ung.uz/shareholders/reports/11/sub/28/1*

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fiscal obligations. The overall increase in tax expenses aligns with revenue growth, but rising tax obligations highlight the need for efficient tax planning to sustain profitability.



Picture 1. Taxes categories of "Uzbekneftgaz" JSC[3]

To assess the market position and potential risks of "Uzbekneftgaz" JSC, a SWOT analysis was conducted. The results indicate that the oil and gas industry is a fundamental sector of Uzbekistan's economy, with the company playing a leading role in the country's energy resource market. The proven natural gas reserves amount to 600 billion cubic meters, ensuring long-term supply stability for consumers. Additionally, the diverse product portfolio helps mitigate risks associated with demand fluctuations in different market segments.

"Uzbekneftgaz" is not only focused on generating economic benefits for its shareholders, but also stands as one of the largest contributors to the state budget. In 2022, the company paid 4.6 trillion UZS in taxes, solidifying its role as a key financial pillar of the national economy. Moreover, with 13,550 employees, "Uzbekneftgaz" ranks among the largest employers in the country, emphasizing its social and economic significance.

The company has embarked on a modern development strategy, adopting corporate governance best practices, digital transformation, and international financial standards with the assistance of global consulting firms such as Ernst & Young and KPMG. Furthermore, strategic partnerships have been established with leading international oil and gas corporations, including Lukoil, Gazprom, BP, SOKAR, Tatneft, Air Products, and Total, as well as major South Korean and Chinese enterprises. These collaborations enable the company to leverage advanced technologies for hydrocarbon extraction and processing, positioning it as a competitive global player.

However, the SWOT analysis also highlights certain risks. The high depletion rate of major fields (80-90%) threatens the company's ability to maintain production growth and preserve resource quality over time. Additionally, geographical dispersion of oil and gas reserves, underutilization of refining capacities, and strict government control over gas pricing remain key challenges that must be addressed to enhance the company's operational efficiency and financial sustainability.

[3] *https://www.ung.uz/shareholders/reports/11/sub/28/1*

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Table 2. SWOT Analysis of "Uzbekneftgaz" JSC[4]

Internal environment	**Strengths**	**Weakness**
	1. Dominant market position ensures a stable customer base. 2. Key sector of the economy guarantees stable demand. 3. Large proven natural gas reserves. 4. Diversified production lines. 5. One of the largest taxpayers in the country. 6. One of the largest employers in Uzbekistan. 7. Transparent corporate governance system. 8. Utilization of modern extraction methods. 9. Corporate credit rating of 'BB-' (Stable outlook).	1. Major fields are 80-90% depleted. 2. Insufficient growth rates in reserves according to geological surveys. 3. Oil and gas fields are geographically dispersed. 4. Underutilization of refining capacities. 5. Government-regulated pricing for natural gas sales.
External environment	**Opportunities**	**Threats**
	1. Initial Public Offering (IPO) for shares. 2. Favorable macroeconomic environment. 3. Expansion into high-value-added product manufacturing. 4. Entry into international markets. 5. Establishment of a wholesale market for natural gas producers and importers.	1. Potential underperformance in reserve growth from geological surveys. 2. Growth in alternative energy and fuel sources. 3. Domestic market stagnation due to macroeconomic downturns. 4. High tax burden (up to 35%, including dividends 42%). 5. Increasing market competition.

The high share of accounts receivable in the company's assets creates the risk of decreasing working capital turnover and liquidity levels. The high level of depreciation of fixed assets leads to significant hydrocarbon losses and an increase in maintenance costs required to keep these assets in operational condition.

The company has set the following strategic goals to be achieved by 2025:

- Ensuring the growth of hydrocarbon reserves exceeds extraction levels, transitioning to the rapid development and replenishment of reserves.
- Attracting a wide range of foreign oil and gas companies with advanced technologies to fully meet domestic market demand for hydrocarbons.
- Deep processing of hydrocarbon raw materials to produce high value-added, in-demand, and competitive products.
- Providing the growing domestic market with modern types of motor fuel at competitive market prices.
- Complete transformation into a fully vertically integrated oil and gas company, based on principles of transparency, profitability, and international corporate governance standards.
- Conducting regular independent audits of the company's financial statements in accordance with international financial reporting standards (IFRS) by representatives of the Big Four audit firms (Ernst & Young, KPMG, etc.) and publishing these reports in a timely manner.
- Enhancing the company's investment attractiveness by utilizing various financial instruments to attract funding, including capital markets (Eurobond issuance), loans from international financial institutions (IFIs), and other financing sources.

Over the last three years, total financing from all sources amounted to 392.3 trillion UZS (equivalent to $51.7 billion). If by the end of 2022, the share of investments in GDP was 23.9%, in 2023, it increased to 38.3%. At the same time, 65% of capital investments were directed towards industrial and infrastructure projects. 66.2% of total investments came from domestic sources, while 33.8% came from foreign investments, including 21.3% from direct foreign investments (FDI).

Attracting FDI is of particular importance for structural economic transformation, industrial modernization, increasing the share of high-value-added products, and improving competitiveness. Notably, in 2023, 65% of FDI was concentrated in Bukhara region, while 13.6% was in Kashkadarya region and 16.3% in Tashkent city. However, investment levels remained low in Samarkand, Khorezm, Namangan, Navoi regions, and the Republic of Karakalpakstan.

[4] *Prepared Based On The Author's Research.*

Most importantly, investors must consider multiple ratios, combining qualitative factors (industry trends, management quality, competitive advantages) with financial indicators to make well-informed decisions. Additionally, ratios vary by sector, so comparing companies within the same industry rather than across different sectors is more meaningful.

CONCLUSION

The financial stability and investment attractiveness of "Uzbekneftgaz" JSC play a crucial role in ensuring the sustainable development of Uzbekistan's energy sector. The company's large hydrocarbon reserves, dominant market position, and strong industrial infrastructure provide a solid foundation for long-term growth. However, high asset depreciation, increasing operational costs, and liquidity risks pose challenges that need to be addressed through strategic investments and efficiency improvements. The company's commitment to transparency, corporate governance, and international financial reporting standards further enhances its credibility in global markets.

Despite macroeconomic fluctuations and geopolitical risks, "Uzbekneftgaz" has demonstrated strong resilience by attracting foreign investments, modernizing its production processes, and diversifying revenue streams. The growth of direct foreign investment (FDI) and the company's focus on high-value-added products indicate a strategic shift toward long-term sustainability and competitiveness. However, the depletion of major fields, underutilization of refining capacities, and rising taxation burdens require proactive measures, including technological advancements, policy reforms, and improved risk management strategies.

To maintain its leading position in the oil and gas sector, "Uzbekneftgaz" must continue enhancing its financial stability, optimizing capital structure, and leveraging international partnerships. The implementation of global best practices in corporate governance, digital transformation, and energy efficiency will be critical for securing its future growth. By adopting modern financial valuation models and strategic investment policies, the company can strengthen its market competitiveness, ensure stable profitability, and create long-term value for stakeholders.

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