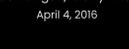


# How Family that Runs Azerbaijan Built an Empire of Hidden Wealth

Documents peel away three layers of secret ownership in a conglomerate and lead to gold mines and overseas real estate.



By [Will Fitzgibbon](#), [Miranda Patručić](#) and [Marcos Garcia Rey](#)

Image: Matthias Hangst / Getty Images for BEGOC

April 4, 2016

Investigations / The Panama Papers: Exposing the Rogue Offshore Finance Industry

On October 31, 2003, Ilham Aliyev, the newly elected president of Azerbaijan, stood behind a podium and a profusion of white flowers to address presidents, prime ministers and 2,000 other guests assembled at the Respublika Palace. First touching the constitution and then the Koran, Aliyev swore to serve his people. That night, fireworks lit up the sky of the Azeri capital, Baku.

Aliyev's election to lead this energy-rich former Soviet republic bordering both Russia and Iran had been all but guaranteed. His ailing father, Heydar, an ex-KGB officer, had served in the same role for the previous 10 years. Election monitors [reported](#) that police had beaten and detained political opponents, in line with the country's reputation for repression.

Becoming president wasn't Aliyev's only ascension during 2003. Using a [network](#) of secretive companies in offshore tax havens, his family, advisers and allies set about acquiring expensive overseas homes and positions in the country's valuable industries and natural resources, including the family's majority control of a major gold mine that has been unknown until now.

The new details of the Aliyev offshore empire emerge from secret records obtained by the International Consortium of Investigative Journalists, the German newspaper Süddeutsche Zeitung and other media partners from Mossack Fonseca, a Panama-headquartered law firm that helps to set up hard-to-trace corporate structures for clients. The more than 11 million documents reviewed by ICIJ and its partners – emails, bank accounts and client records – represent the inner workings of Mossack Fonseca for nearly 40 years, from 1977 to December 2015.

## Family alliances

The records show that, in mid-2003, months before the October presidential election, Fazil Mammadov, Azerbaijan's tax minister, began to create AtaHolding, which has since become one of the country's biggest conglomerates. Mammadov, influential in his own right, subsequently invited President Aliyev's family to join him, cementing a potentially potent and advantageous business and political partnership.

AtaHolding is a corporation that has significant interests in Azerbaijan's banking, telecommunications, construction, mining, oil and gas sectors. Its most recent corporate filing in 2014, shows it held over \$490 million in assets.

The leaked files show that the tax minister created a company in Panama through Mossack Fonseca named FM Management Holding Group S.A. Stand-in directors – straw men supplied by Mossack Fonseca – concealed the fact that Mammadov was involved.

Mammadov then created a second offshore entity – this time a foundation – called UF Universe Foundation. Panama foundations are subject to strict confidentiality laws. Anyone who discloses information about them can be fined or imprisoned.

The files show that two years later, in 2005, Aliyev's wife, the fashion-conscious, collagen-infused first lady and member of Parliament, Mehriban Aliyeva, became one of two managers of the UF Universe Foundation, alongside the tax minister, Mammadov.

In attachments to a "High Importance" email sent to Mossack Fonseca in February 2005 by a lawyer representing the Azeris, documents proposed that then six-year-old Heydar Aliyev, the president's son who is known in the files as "A1," be made the beneficiary of 20 percent of the foundation's proceeds. The plan also proposed that the president's two daughters, Leyla, then 19 and Arzu, then 17, would hold 15 percent each. Mammadov's son held 30 percent while Ashraf Kamilov, a former tax ministry official, and other former tax officials held smaller stakes. So, too, did AtaHolding's chairman, Ahmet Erentok.

So the secrecy had three layers: 1) The UF Universe Foundation, which controlled 2) FM Management, the Panama company set up by Mammadov, which owned shares in 3) a United Kingdom-based company named Financial Management Holding Limited. According to a flowchart shared with Mossack Fonseca in 2005, the UK company held 51 percent of shares in AtaHolding Azerbaijan.

While there is no doubt that these secret companies existed and paid hundreds of dollars to Mossack Fonseca in administrative fees, it is unclear whether or not the proposed structure to benefit President Aliyev's teenage daughters and six-year-old son and other prominent Azeris was ever adopted.

UF Universe Foundation was closed in January 2007. Then, in February 2014, months after President Aliyev was sworn in for his third term, a London-based lawyer sought to reactivate the Foundation and FM Management Holding Group. Mossack Fonseca was happy to oblige and issued a \$9,000 invoice in exchange for reactivating the company.

Most recently, majority ownership – 51 percent – of AtaHoldings was held by Hughson Management Inc., according to AtaHolding's online annual report. A 2010 letter signed by Mossack Fonseca listed Aliyev's daughters, Arzu and Leyla, and Swiss lawyer Olivier Mestelan as directors.

ICIJ sought comments from all individuals named in this article and received no responses. In response to previous reports about the family's holdings, the President's spokesman said the daughters "are grown up and have the right to do business."

## Friendship with U.S.

Despite global criticism of Azerbaijan's mounting authoritarianism, the Aliyev regime has been a friend of successive U.S. administrations. The United States has spent hundreds of millions of dollars on the Aliyevs' Azerbaijan, including millions for military and security training. Azerbaijan's government is one of the [largest buyers of influence in Washington D.C.](#) and, together with its lobbyists, spent at least \$4 million in 2014 alone burnishing the country's image. The country has taken members of Congress on all-expenses-paid visits to Azerbaijan, lavishing the lawmakers with silk scarves, crystal tea sets and rugs.

Azerbaijan's importance in energy, as a supply route to American troops in Afghanistan and its potential role in the fight against ISIS makes the United States a reluctant critic, said former U.S. ambassador to Azerbaijan Richard D. Kauzlarich, now an adjunct professor at George Mason University.

"Being where it is – bordered by Russia and Iran in a very unstable geopolitical environment – is a factor that makes it among the more unique countries in the region," said Kauzlarich, who was U.S. ambassador to Azerbaijan from 1994–1997.

Its levels of corruption and elite control of the economy make it stand out in a part of the world where these things aren't unusual, he added.

"The franchising out of economic activity to families and clans that are important for maintaining the current regime in power is not an unusual pattern," said Kauzlarich. "However, it certainly has been perfected in Azerbaijan."

## Bigger offshore network revealed

The fact that Aliyev's family can be linked to offshore companies is not new. A [2013 investigation by ICIJ](#) showed that Aliyev, his wife and his daughters owned or were otherwise connected to offshore companies. Now Mossack Fonseca's files greatly expand on what is known and disclose new companies belonging to the President's two daughters, Leyla and Arzu.

The documents show Leyla and Arzu Aliyeva controlled two previously hidden British Virgin Islands-incorporated firms – Kingsview Developments Limited and Exaltation Limited. It is unclear from the files the purpose of the first company, but the second was incorporated in January 2015 to own a British property worth more than \$1 million.

President Aliyev's eldest sister, Sevil, is also shown in the files as the owner of another British Virgin Islands company, Setanon Properties Inc. Again, it is unclear from the files what the company was used for. In the Mossack Fonseca documents Sevil Aliyeva, a composer, listed her address in West London in a neighborhood where average home prices touch nearly \$9 million.

## Sitting on a gold mine

Mossack Fonseca's records reveal that the first family secured secret control of a gold mine, dwarfing a smaller stake they'd been known to hold.

In 2006, Azerbaijan's government granted mining leases in the country's west to a consortium of companies that established the Azerbaijan International Mineral Resources Operating Company Ltd. Under the agreement, the consortium would keep 70 percent of the mine's profit, and the Azeri government received the remaining 30 percent, according to a 30-year production agreement.

At the time, opposition politicians criticized the deal's lack of transparency.

In 2012, Azeri journalists working with the Organized Crime and Corruption Reporting Project, a non-profit investigative journalism group focused on Eastern Europe and Central Asia, [reported](#) that one of the four consortium members, Globex International LLP, was owned, in turn, by three Panamanian companies controlled by President Aliyev's daughters and Mestelan, a Swiss businessman and family friend.

One of the [OCCRP](#) reporters was Azeri investigative journalist [Khadija Ismayilova](#), also a member of ICIJ. In 2015, Azeri authorities imprisoned Ismayilova in what is widely believed to have been retaliation for her exposé of government corruption. Authorities charged Ismayilova with counts of embezzlement, illegal business, tax evasion, and abuse of power and inciting a man to commit suicide. Her sentence: 7½ years.

"Sorting out AIMROC's structure is a daunting task," Ismayilova wrote in 2012, connecting the consortium's operating company with an opaque "Panamanian trail" that linked the Aliyev family with the mining consortium.

Mossack Fonseca's files reveal the leading member of the consortium, Lindex Resources S.A., which was incorporated in Panama in 2005 and held 45 percent of the consortium's stake. The files show that, in April 2008, the same three Panamanian companies owned by President Aliyev's daughters and Mestelan, who shared control of Globex International, became Lindex's shareholders. Globex International held 11 percent of the consortium's share of the goldmine.

The trio's control of Lindex Resources meant that President Aliyev's family and inner circle controlled a majority stake – 56 percent – in the consortium.

There are nearly 400 documents about Lindex in the Mossack Fonseca files, including invoices, corporate registry records, instructions to open a bank account, and emails marked "URGENT REQUEST!!!" Lindex was a valuable client for Mossack Fonseca. The law firm invoiced Lindex for thousands of dollars between 2005 and 2014.

In January 2016, mine workers protested before Azerbaijan's parliament, alleging that Lindex had not paid wages since 2014, when the mine was abruptly closed.

One of the protestors, Cumshud Alasgerli, a 46-year-old married father of three who worked as a geologist on the mine, was interviewed by OCCRP.

"More than 200 workers can't get their salary," Alasgerli said. He said he hadn't received wages owed to him for nearly two years. "And the government doesn't do anything for us."

Alasgerli said he has taken his employment case against Lindex to court. But he is not optimistic. The company and the government alike have so far failed to help.

"They just don't want to help us," Alasgerli said. "They pretend like they don't know anything."



Mehriban Aliyeva, First Lady of Azerbaijan Image: Photo\Yugaramrullayev (CC BY-SA 3.0)



U Image: S. President Barack Obama greets Azerbaijan President Ilham Aliyev during a bilateral meeting in 2010. Photo\AP Photo / Susan Walsh



Investigative reporter Khadija Ismayilova has been sentenced to seven and a half years in prison after being convicted in a politically motivated trial in Azerbaijan in September 2015 Image: Photo\AP

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