

# Paradise Papers: Finnish firm's owner's money flows "could tarnish the reputation of the whole stock exchange"

The Paradise Papers data leak has revealed more details about some of the strangest ownership structures and money transfers in the history of the Finnish stock exchange. The mining company concerned used to be called Ruukki, and is now known as Afarak.

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Afarak's Stellite mine in South Africa. Image: Philip Mostert / Afarak Group

Documents from the Paradise Papers data leak reveal measures taken by the biggest owner of the Afarak Group, which is listed on the Helsinki

Stock Exchange, to conceal his decision-making power within the firm. In implementing the structures, the firm's major shareholder Danko Končar may have committed financial crimes.

Afarak Group, formerly known as Ruukki Group, is listed on the Helsinki and London stock exchanges.

Finland's National Bureau of Investigation (NBI) is investigating Danko Končar, former CEO and now Chief Operating Officer, on suspicion of insider trading. Končar has denied any wrongdoing.

Documents obtained by Yle, however, reveal Končar's questionable practices. The Croatian businessman has made use of several firms registered in tax havens, according to leaked documents obtained by Süddeutsche Zeitung and shared with other media organisations including Yle via the International Consortium of Investigative Journalists (ICIJ).

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Croatian businessman Danko Končar holds the largest stake in the Afarak mining firm. Image: Afarak Group

The power struggle between Končar and Finnish small investors has intensified in recent months, with shareholders demanding that Končar offer to buy them out at a price well above current trading levels. An Yle investigation reveals that although Končar officially owns just 27 percent of the firm, in reality he controls some 70 percent of the shares.

Once a shareholder acquires 30 percent of a company, they are obligated to offer to buy out every other shareholder at a price not less than the highest price paid in the preceding 12 months.

According to Timo Rothovius, who chairs the Finnish Shareholders' Association, the entanglement is "rare" in Finnish terms.

"These money flows could tarnish the reputation of the whole [Helsinki] stock exchange," said Rothovius.

## **Big share purchases using Croatian owner's money**

The Paradise Papers demonstrate that Končar clearly has a larger influence within the company than he claims. In addition, Yle's investigative programme MOT has obtained internal Afarak communications and bank account statements that reveal murky share purchases.

The documents indicate that Končar has granted associates millions of euros in loans so that they can buy Afarak shares.

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Timo Rothovius is a Professor of Accounting and Finance at Vaasa University, and chairs the Finnish shareholders' association. Image: Ghadi Boustani / Yle

Some 60 percent of Afarak's shares are held by anonymous 'nominee' shareholders. Rothovius says it is unusual for such a large proportion of a small company's shares to be held anonymously.

"A lack of knowledge of the real owners hides risks," said Rothovius. "I would not buy shares in the company."

## Ownership trail leads to Panama

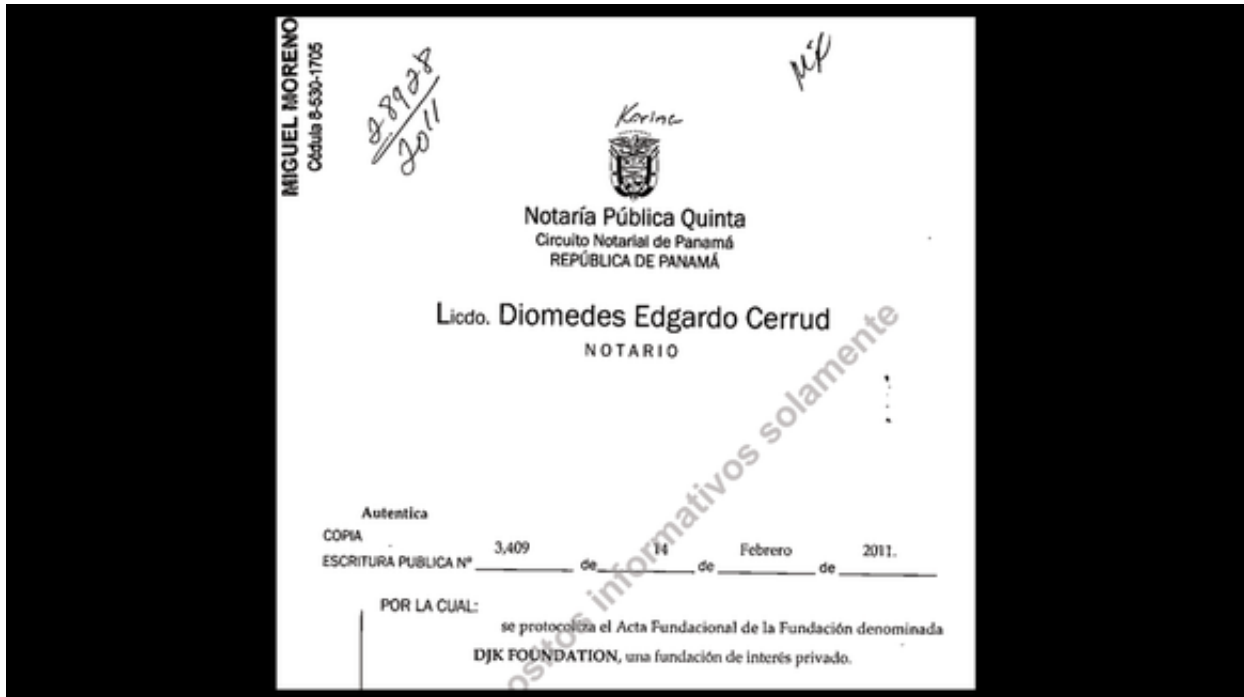
Millionaire Končar is fiercely protective of his privacy, but is known to be worth hundreds of millions of euros. In addition to Afarak he owns a share of other mining firms, holiday homes in Croatia and, for example, a company involved in renewable energy.

MOT reported his role in 2010 as part of their ['Ruukki Robbery'](#) programme.

Some light has been shed on Končar's business empire by the Paradise and Panama Papers leaks, as well as the Maltese trade register.

Those sources suggest that Končar uses complicated ownership structures, with ownership or control of companies in the Caymans, the British Virgin Islands, Malta and Bermuda.

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Končar's associates own a host of tax haven-hosted vehicles, including a trust based in Panama. Image: MOT

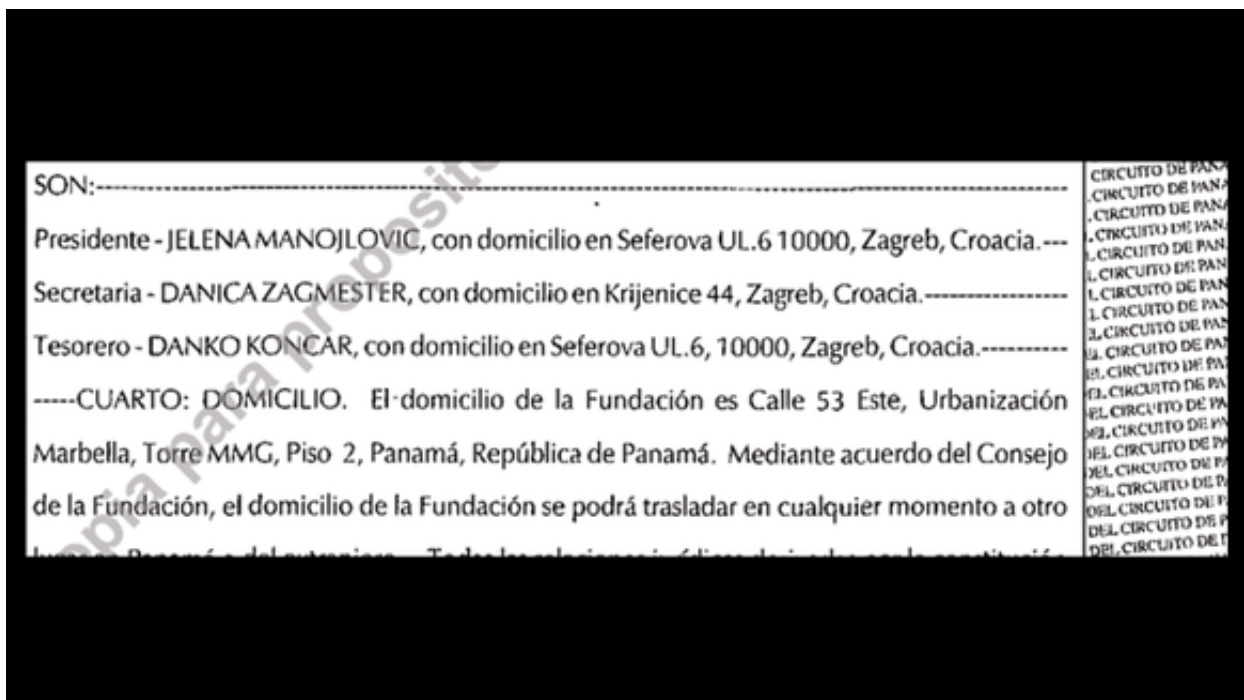


Image: MOT



The offshore companies' official owners include Končar's wife, cousins and other relatives. According to the documents, Končar refers to the nominal owners as 'soldiers', who need strict instructions on how the companies and their holdings should be handled.

Končar has signed several contracts on behalf of the companies, even though he is not their official owner. Yle has seen a 20-million-euro loan agreement connected to several property purchases in London, which Končar signed on behalf of five companies.

A significant proportion of the documents are included in the Paradise Papers, which were [leaked to Süddeutsche Zeitung](#). The German paper then shared the documents with an [international consortium of investigative journalists](#), and among others to the Finnish Broadcasting Company, Yle.

## Regulators on the case

Finnish investors have [asked](#) the Finnish Financial Supervisory Authority (FSA) to investigate whether Končar's ownership of Afarak has at any point been larger than declared. If he surpassed the 30 percent barrier, he would be obligated to offer to buy the rest of the company's shares.

The proposal from some Finnish shareholders was sent in September, and it proposes a per-share price of 2.50 euros. That's more than double the firm's current share price.

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Sari Helminen heads up the FSA's Markets Division. Image: Ghadi Boustani / Yle

The firm's biggest Finnish owners are Ruukki Group founders Markku Kankaala and Esa Hukkanen, as well as Joensuu businessmen and investor Kyösti Kakkonen.

Sari Helminen, Head of the FSA's Markets Division, calls the case 'exceptional'.

"The compulsory bid rule is a central part of an investor's protection," said Helminen, who was unable to say when the FSA might make a decision on the case.



Ruukki Group was founded in 1992. Image: Ghadi Boustani / Yle

## Ruukki's Ostrobothnian roots

The Ruukki village in Siikajoki, North Ostrobothnia, is an industrial area that hosted industrial facilities as far back as the 1600s. On the wall of a blue wooden house is a sign bearing the name: 'Ruukki Group'.

The company began when Esa Hukkanen and Markku Kankaala founded a timber yard called Ruukki Group in 1992. Nowadays the firm has minimal activities in Finland.

The company shot to prominence in a political scandal in the early 2000s, when its biggest shareholders were notorious businessmen Ahti Vilppula and Kai Mäkelä.

The duo and Ruukki made undeclared or hidden donations that aided the Centre and National Coalition parties, with many of the candidates they backed ending up serving as ministers in the Matti Vanhanen government that took office in 2007.

In 2008 Vilppula's old friend Danko Končar took a large stake in Ruukki.



After that, the firm moved its headquarters to Malta and in 2013 the firm changed its name to Afarak.

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Esa Hukkanen co-founded Ruukki Group in 1992, and is now one of the biggest shareholders in Afarak. Image: Ghadi Boustani / Yle

"Of course it brings some uncertainty when you didn't know who the other owners were and what their goals are," said Hukkanen, who still owns shares in the firm.

## Millions in suspect money transfers

In 2008 Serbian citizen Aida Djakov took a large stake in the company. In the same year Končar's Bahamian firm RCS Trading Limited transferred 7.6 million euros to Djakov over a period of one week, via a UBS bank account in the Channel Island tax haven of Jersey.

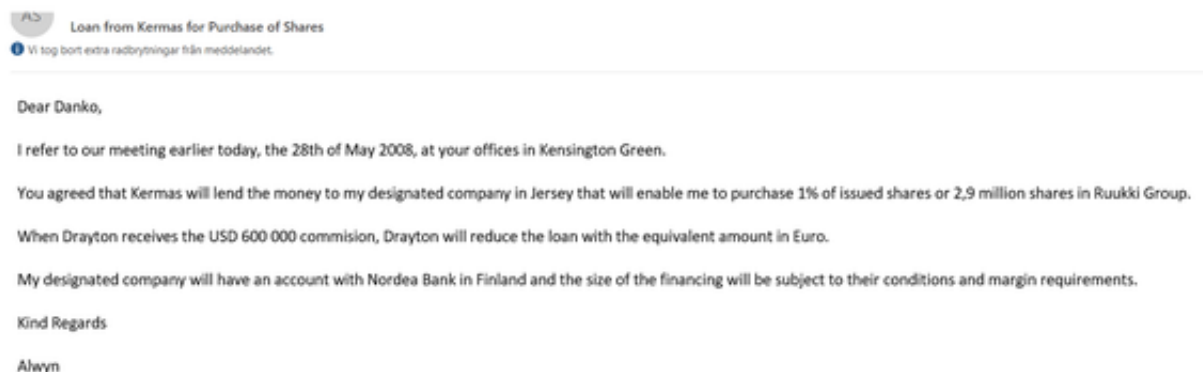
Emails reveal that Djakov was lent the money so that she could buy shares in Ruukki Group. Djakov owns the Atkey Ltd firm in the British Virgin Islands, which became a major shareholder in Afarak. The same

mechanism was repeated with different enterprises down the years.

Just before **Alwyn Smit** was appointed CEO of Ruukki Group in 2008, Končar paid some 11 million euros into Smit's account. The transfer was completed via Nordea, the biggest bank in the Nordic countries.

Other transfers were completed using Evli and UBS banks. Evli noticed Končar's transfers in 2011, and the FSA reported them to the police. The National Bureau of Investigation (NBI) began a probe which found that there were grounds to suspect Končar was guilty of failing to inform financial markets properly about his trading.

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Esa Hukkanen co-founded Ruukki Group with Markku Kankaala in 1992. He remains one of the biggest shareholders in Afarak. Image: MOT / ICIJ

In December 2016 the Helsinki prosecutor's office decided not to press charges. One of the grounds for dropping the charges was that the time limit laid down in the statute of limitations had run out.

## Secret insider trading continues

In the spring of 2017, Afarak's current CEO, Guy Konsbruck, sold shares in his own company to Afarak. Finnish small investors estimate the trade at around 200,000 euros, and have also reported this trading to the FSA.

"According to stock market rules, a listed firm must publish any transactions between the company and its 'insiders' which are not part of the stock market's normal operations if the transaction is not of low significance or value to the parties," said Helminen.

According to the report made to the FSA, the trade raises questions about whether the firm's leadership had operated according to shareholders' best interests in making the purchase.

Afarak put forward Communications Director Jean Paul Fabri to answer questions on behalf of Konsbruck. He confirmed by email that the company had purchased 15 percent of Konsbruck's company LL Resources in April 2017.

Fabri said by email that the company was advised that the purchase did not need to be reported.

## **Croatian MEP on Afarak board**

According to EU law, financial institutions must report interactions with so-called 'politically exposed persons' to guard against money laundering and bribery.

Croatian MEP Ivan Jakovčić sits on the Afarak board.

Politicians are allowed to serve as board members at listed companies, but according to Alex Cobham of the Tax Justice Network NGO, the situation is not without its problems.

"Having a Member of Parliament – national or European – involved, could be a sign there'd be greater scrutiny so that there'd be more

accountability and you'd see a higher standard adhered to," said Cobham. "Equally, it does raise risks and that's why there is higher scrutiny when you have known politically exposed people involved."

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Alex Cobham leads the Oxford-based Tax Justice Network. Image: Ghadi Boustani / Yle

According to the Maltese trade register, Ana Kolarević, sister of former Montenegrin President Milo Đukanović, has been an owner of the Maltese firm Ruukki Ltd, which was until 2013 a subsidiary of the Ruukki Group.

[According to US authorities](#), Kolarević accepted bribes from the Telekom firm in 2005. She has denied the allegations.

Cobham says that there are serious questions for investors to ponder.

"You'd want to ask questions about whether there has always been complete transparency about that ownership, and whether you have confidence in the particular politician, that there isn't any risk in their past or future political behaviour that might come back," said Cobham. "Again,

for an investor it's one more thing to worry about. And all other things being equal, you might consider that it just gives you an incentive perhaps to put your money somewhere else."

Danko Končar and his wife both refused to answer questions from MOT about their ownership of Afarak. Končar's wife Jelena Manojlović currently serves as the chair of Afarak's board.

*Journalists from Yle's MOT and A-studio investigative journalism programmes are the only Finnish media involved in reviewing the data haul, which was first obtained by the German newspaper Süddeutsche Zeitung and is being co-ordinated by the [International Consortium of Investigative Journalists \(ICIJ\)](#). Yle will publish more stories about Finnish individuals and companies mentioned in the Paradise Papers in the days ahead.*

*Finnish-language stories stemming from the Paradise Papers are available [here](#).*