European Defence Markets

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Where European defence money goes — and who can get at it · by Digital Shield

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Washington spent the week prising Europe's rearmament market open while Brussels set out how to protect its supply chains from shocks. They cannot both win.

THE ESSENTIALS

- **Germany's 2027 defence budget clears committee:** more than €139bn including €29.9bn from the special fund, funding for 16 new A400Ms, and four more MEKO A-200 frigates signed with TKMS (no. 1).
- **Washington pushes on two fronts:** the State Department closed its 90-day ITAR reform sprint, and the Pentagon's Elbridge Colby told EU defence ministers the US is "firmly opposed" to shutting American firms out (no. 8 and 9).
- **Europe answers with supply chains:** defence ministers endorsed a joint statement on security of supply and lifted the EDA's 2027 budget by 8.7% to €78m.
- **Space and missiles consolidate:** Finland's Iceye bids €2bn for Avio, maker of the Vega launcher and solid rocket motors for US missiles (no. 6).
- **Software is the new soft spot:** the Bundeswehr grounded its Quantum Systems drones after a malicious file was planted in the maker's update chain (no. 4).
- **Spain's champion under scrutiny:** Indra fell 6.41% after reports of an anti-corruption probe into €2.35bn of defence awards (no. 7).

ANALYSIS

Two doors, one market

By Óscar Ruiz

Within 48 hours, three things happened. On 16 November Elbridge Colby, the Pentagon's policy chief, told EU defence ministers that Washington is "firmly opposed" to any measure excluding US companies from European markets. On 17 November the State Department announced it had completed a 90-day sprint to loosen ITAR, with a general licence for trusted partner governments and a 50-day target for licence decisions, down from 60. The same day, EU defence ministers meeting at the European Defence Agency endorsed a joint statement on defence security of supply.

Read together, they describe the contest that will shape European defence budgets for the rest of the decade. Europe is spending more than at any time since the Cold War, and the money is political: SAFE loans and EDIP grants reward European content. The United States has decided it wants a share of that spending and is making its products easier to buy at the same time as it warns against buying elsewhere.

The ITAR reform is the clever part. Much of Europe's push for sovereignty has been driven less by ideology than by the paperwork that makes US components a liability: re-export controls, licence delays, the risk of a veto. If Washington removes that friction, the commercial case for 'ITAR-free' European designs weakens, and with it one of the strongest arguments for paying a premium for home-grown kit.

The week also showed why Europe's case is not only about Washington. The Quantum Systems incident proved that dependence can sit in a software update rather than a shipping container, and

Malaysia's switch away from Norway's NSM showed that a European export licence can be withheld too. A drone made in Bavaria was grounded because its supply chain was compromised, not because it was American.

Two business takeaways

- **Primes with US subsidiaries** (BAE Systems, Leonardo DRS, Rheinmetall, Saab) gain from faster licences; mid-sized European firms selling 'ITAR-free' as a differentiator need a new pitch.
- **Cyber resilience of the software update chain** is becoming a contract requirement. Expect it in Bundeswehr and EDA tender language.

What to watch: whether the European Commission's next SAFE and EDIP guidance tightens European-content rules in response to Colby, and how many US troops Washington says it will withdraw from Europe in the coming weeks.

EUROPE

BUDGETS

1. Bundestag committee clears a €139bn-plus defence budget for 2027 as Berlin signs four more MEKO frigates

The Bundestag budget committee approved Germany's 2027 defence spending on 13 November. The total exceeds €139bn, including €29.9bn from the Bundeswehr special fund and €11.6bn in military aid to Ukraine. The package funds 16 new A400M transports in a tactical configuration to replace the Luftwaffe's oldest airframes, a fourth Type 424 intelligence ship and the third phase of the SATCOM programme. The A400M line is funding, not yet a firm order with Airbus.

On 17 November the federal procurement office BAAINBw signed for four more MEKO A-200 DEU frigates from TKMS, taking the programme to eight ships. The first is due in December 2029, with one every nine months after that.

For the sector: Airbus Defence and Space (final assembly in Seville, with Bremen and Getafe) is the obvious beneficiary of the A400M line; TKMS and its naval subcontractors gain a decade of frigate work.

Source: Janes · Militarnyi · Defence Industry Europe

PROCUREMENT

2. UK awards £303m for mine-hunting systems and flags a £1.67bn Boxer support competition

Defence Equipment & Support updated a £303m award to HII Unmanned Systems for eight Mine Hunting Capability Block 2 mission systems, running to May 2031 with options to 2033. It also published a pipeline notice for Boxer Integrated Operating Services, worth around £1.67bn, to support the British Boxer fleet from April 2029.

The same week brought a £500m planning notice for the Fountain Lake Jetty in Portsmouth, a £174m tender for air cargo loading equipment and a £34m award to Carbon60 for engineering support to Royal Navy C5I systems.

For the sector: The Boxer support contract is one of the largest UK land sustainment opportunities in years. Rheinmetall BAE Systems Land, which builds the British Boxer, is the natural incumbent, but the notice opens market engagement.

Source: Think Defence

COMBAT AIRCRAFT

3. GCAP: Rome offers Berlin an observer seat first, with no decision on German entry yet

The Financial Times reported that Italy's defence minister, Guido Crosetto, opposed full German

membership of GCAP during a video call. Rome denied the report, saying it had proposed observer status for Germany, as Canada already has, as a first step to speed up full membership, and that it "fully backs" German entry. Berlin is studying the move after its talks with France on FCAS broke down.

The three GCAP partners signed a £4.6bn development contract in July, and Italy has spent €875m on development this year.

For the sector: An observer seat brings no workshare for German industry before the design freezes. Airbus Defence and Space and Hensoldt have most to gain or lose; Spain, with no sixth-generation programme of its own, is likely to follow Berlin's choice.

Source: Defense News · The Aviationist

DUAL-USE TECHNOLOGY

4. Cyberattack on Quantum Systems grounds Bundeswehr drones as a precaution

Germany's armed forces grounded their Quantum Systems drones as a precaution after attackers planted a malicious file disguised as a routine QBase software update in the Munich-area company's update chain, according to Der Spiegel and the Financial Times. Quantum says it detected the incident in late October and helped ensure its systems could safely resume operations.

Germany's military counter-intelligence service (MAD), the BfV and the BSI are reportedly involved. Quantum has not attributed the attack.

For the sector: The update server, not the airframe, was the weak point. Buyers will start writing software supply-chain security into contracts, raising compliance costs for drone start-ups.

Source: BleepingComputer

INDUSTRY

5. Tekever opens its Cahors drone factory and unveils the first AR3 for the French armed forces

Portugal's Tekever inaugurated its factory in Cahors, south-west France, and presented the first AR3 system for the French armed forces under a seven-year DGA contract covering AR3 EVO systems, training and support. The first 15 systems are due before the end of 2026.

Cahors is central to Tekever's €200m investment plan in France for 2025–2030, which targets 200 skilled jobs; almost half have already been created.

For the sector: A Portuguese drone maker chose France as its second home because Paris offered an anchor contract. Other governments wanting drone factories will need to match that.

Source: sUAS News

MERGERS AND ACQUISITIONS

6. Iceye bids €2bn for Avio, Italy's maker of the Vega launcher and missile rocket motors

Finland's Iceye, the radar-satellite operator, has made a €41-a-share cash offer for Avio, valuing it at about €2bn, through its Italian subsidiary Iris 2, with the aim of delisting the company. The price is a 21.3% premium to Monday's close; Avio shares jumped more than 15%. Leonardo, which owns 18%, said it would consider the offer, and Iceye pledged to invest €1bn in Avio in Italy over five years.

Avio builds the Vega launchers and solid rocket motors for missiles, with US work for Raytheon and Lockheed Martin. A day after the bid, Raytheon picked Avio USA and Ursa Major to develop a new booster for the Tomahawk. The deal needs government approval and Iceye expects it to take a few months.

For the sector: Solid rocket motors are the bottleneck of Western missile production. Whoever

controls Avio controls a scarce European capacity that US primes already depend on.

Source: Defense News · Breaking Defense · Defence Industry Europe

INDUSTRY

7. Indra falls 6.4% as Spanish prosecutors examine €2.35bn of defence awards

Shares in Indra, Spain's largest defence electronics group, fell 6.41% to €54 on 17 November after reports that the Anti-Corruption Prosecutor is examining defence awards and public loans linked to Indra and Escribano Mechanical & Engineering (EM&E). A report by the state comptroller (IGAE), cited by El Independiente, flags alleged irregularities in the procurement of the 8x8 Dragón armoured vehicle, the SILAM rocket launcher and counter-drone systems, worth a combined €2.35bn.

The probe began in January following a complaint. No charges have been brought, and neither Indra nor EM&E has commented publicly. Banco Sabadell sees mainly reputational risk. Indra presents its strategic plan on 25 November.

For the sector: Indra is a partner in several European programmes and EDF projects. A prolonged probe could slow Spanish awards just as Madrid races to meet its spending targets.

Source: Ad-hoc-news

INTERNATIONAL

TRANSATLANTIC

8. Washington warns Europe against shutting US firms out of its rearmament market

Elbridge Colby, the Pentagon's Under Secretary for Policy, told EU defence ministers on 16 November that the US is "firmly opposed" to any measure that excludes American companies from competing in European markets. Two days later the US ambassador to the EU, Andrew Puzder, asked for Lockheed Martin and Raytheon to be allowed into EU funding schemes if they build factories in Europe. SAFE limits non-European components to 35%, and EDIP requires at least 65% European content.

The pressure comes as the Pentagon reviews its posture in Europe. Bloomberg reported that cuts could be around 5,000 troops rather than the 25,000 some allies feared, and Poland expects a White House decision on a permanent US presence in early December.

For European industry: European-preference rules are now a transatlantic bargaining chip. Primes with large US exposure may lobby Brussels for looser content thresholds.

Source: Digital Shield · Il Foglio · Defense News

EXPORT CONTROLS

9. State Department completes its 90-day ITAR reform sprint

The State Department said on 17 November that it had advanced a dozen regulatory actions and published eight Federal Register notices, with more to come. It will create an ITAR general licence to pre-approve certain transfers to trusted partner governments, apply a presumption of approval to complete applications and aim to decide on licences within 50 days, down from 60. It adjudicated about 25,000 ITAR licences worth roughly $200bn in fiscal 2026.

For European industry: Faster licences cut the cost of using US components and weaken the commercial case for 'ITAR-free' European designs.

Source: US State Department

RESULTS

10. Elbit Systems reports a record $33bn backlog, driven by Europe

Elbit's third-quarter revenue rose 17% to $2.25bn and GAAP net income attributable to

shareholders rose to $177.9m from $133.4m. The backlog reached a record $33.0bn, mainly on European orders, and about 74% of it now comes from outside Israel. Management expects high-teens revenue growth in 2027.

For European industry: European demand is fuelling Elbit's growth while several European governments, Spain among them, restrict Israeli arms purchases. Its local subsidiaries in Europe blur that line.

Source: PR Newswire (company release)

MISSILES

11. Malaysia drops Kongsberg's NSM after Norway's export block and turns to Turkey's ATMACA

Malaysia's defence minister said on 12 November that Kuala Lumpur will negotiate with Turkey to buy Roketsan's ATMACA anti-ship missile for its Littoral Combat Ships, replacing Kongsberg's NSM after Norway blocked its export in March. Malaysia already has 24 ATMACAs on order for another programme; integration with Naval Group's combat system is still pending.

For European industry: Export licences are not only an American problem. European buyers of the NSM, including Spain for its S-80 submarines, will want guarantees on spares and resupply written into their contracts.

Source: Naval News

UNCREWED SYSTEMS

12. Canada's Dominion Dynamics picks a Pratt & Whitney Canada engine for its Scout autonomous aircraft

Dominion Dynamics will power Scout, the autonomous collaborative aircraft it is developing for Canada, with a Canadian-built PW300-series engine; the airframe is being designed around it. Ottawa is separately weighing an initial order of eight Type 212CD submarines from TKMS, with options for four more.

For European industry: Canada is building a sovereign uncrewed-combat ecosystem while buying German submarines; European suppliers of sensors and mission systems have an opening in both.

Source: Canadian Defence Review · Defence Industry Europe

OPEN TENDERS

Opportunity	Buyer	Value	Status	Notice
UK: Boxer Integrated Operating Services	DE&S	c.£1.67bn	Pipeline notice; support from April 2029	107384
UK: Fountain Lake Jetty regeneration, Portsmouth	DIO	est. £500m	Planning notice; works 2028–2037	107455
UK: Air cargo loading capability	DE&S	est. £174m	Open tender	107421
UK: Handheld metal and low-metal detectors (c.500 units)	DE&S	est. £36.5m	Planning notice; up to 11 years	107041

Values exclude VAT. Source: Find a Tender, as summarised by Think Defence.

AWARDS OF THE WEEK

Region	Contractor	Programme	Value	Date
US	Northrop Grumman	Rocket motors for PAC-3 MSE (multiyear, for Lockheed Martin)	$1.6bn	17 Nov
UK	HII Unmanned Systems	Mine Hunting Capability Block 2 (8 systems)	£303m	13 Nov
UK	Thales (Belfast)	Over 1,000 short-range air-defence missiles for Ukraine	£240m package	18 Nov

Region	Contractor	Programme	Value	Date
US	HII	82 more Lionfish small UUVs for the US Navy (175 in total)	Programme up to $347m	16 Nov
DE	TKMS	Four more MEKO A-200 DEU frigates (eight in total)	Not disclosed	17 Nov
DE	Airbus (funding approved)	16 A400M in tactical configuration (budget committee)	Not disclosed	13 Nov
TR	Otokar	4x4 tactical armoured vehicles, Turkish Land Forces	Not disclosed	16 Nov
US	Anduril	USAF containerised air-defence launcher prototype (CAMP)	Not disclosed	17 Nov

CORPORATE MOVES

▪ Tiberius Aerospace raises $85m at a valuation above $1bn

The Series A, co-led by Lakestar and Rochefort Asset Management, will fund manufacturing partners and certification of the Sceptre long-range artillery round, which the company says reaches about 140 km from a 155mm gun.

European venture money is now backing munitions, not just software.

Source: *Defence Industry Europe*

▪ Romania imposes penalties on Rheinmetall over air-defence delays

Bucharest's defence minister confirmed contractual penalties for late delivery of air-defence systems; the first invoice, for €8.7m, covers only part of the total. It comes two weeks after Rheinmetall cut its 2026 sales forecast to €13.2bn on project and ammunition delays.

Delivery performance is starting to cost the market leader money and reputation.

Source: *Defence Industry Europe* · *Defence Industry Europe*

▪ Navantia UK's £90m investment puts Harland & Wolff in the running for new work

A UK defence minister told Parliament that around £90m of infrastructure investment by its Spanish owner places the Belfast yard in a competitive position to bid for future contracts, on top of its Fleet Solid Support work.

A Spanish state shipbuilder is now a credible bidder for British naval work in its own right.

Source: *UK Defence Journal*

▪ Hensoldt and Dronamics fly a European uncrewed airborne early-warning system

Hensoldt's MissionGrid suite flew on Dronamics' Black Swan in Bulgaria, which Hensoldt describes as the first fully European uncrewed airborne early-warning platform. Performance claims are the companies' own.

A low-cost AEW layer would target the gap left by Europe's ageing AWACS fleet.

Source: *Defence Industry Europe*

▪ GMV teaches drones to navigate without satellites

Spain's GMV has developed a system that lets a drone locate itself by recognising terrain and processing imagery on board, without GNSS.

GPS-denied navigation is moving from niche to standard requirement after Ukraine.

Source: *Digital Shield*

▪ Hadrian buys Kutztown Foundry and plans a $300m expansion

The US manufacturing start-up will make naval-grade castings for Columbia- and Virginia-class submarines.

US submarine supply chains are being rebuilt by venture-backed firms; Europe has no equivalent

yet.

Source: Defence Industry Europe

Appointments: no major European defence-industry appointments were confirmed this week.

Defence share prices: closing prices could not be verified in our usual sources this week, so the stocks table is omitted. Market information only; not investment advice.

PROGRAMME TRACKER

Programme	Status	Latest
GCAP	**Open question**	Italy proposes observer status for Germany as a first step and denies blocking full membership (no. 3)
FCAS / SCAF	**Collapsed**	Germany studying GCAP entry after talks with France broke down
MEKO A-200 DEU (DE)	**Expanded**	Four more frigates signed; programme at eight ships, first delivery December 2029
German Boxer order	**Delayed**	Order slipped; Rheinmetall cut 2026 sales forecast to €13.2bn on 4 November
Canada submarines	**Negotiation**	Initial order of eight Type 212CD under consideration, with four options
NATO STARLIFT	**Started**	Ten Allies plus South Korea financing via NSPA; France and Spain not among them
EU security of supply	**Statement**	Ministers endorse joint statement; EDA 2027 budget €78m (+8.7%)
EU support to Ukraine	**Proposed**	Commission proposes a €45bn loan for 2027

Source: UK Defence Journal (STARLIFT) · EDA · Defense News (Ukraine loan) · Defense News (GCAP)

AGENDA

Date	Event
25 Nov	Indra presents its strategic plan, Madrid
29 Nov	Spanish general election
30 Nov	Spain's CIFAS contract with Palantir expires with no replacement agreed
Early Dec	White House decision on a permanent US troop presence in Poland
Coming weeks	US announcement on troop withdrawals from Europe
Early 2027	Expected completion of Iceye's bid for Avio, subject to approvals

STRATEGIC AUTONOMY RADAR

Vulnerability detected

- **Software supply chain:** the Quantum Systems compromise shows that a European-built drone can be grounded by its own maintenance pipeline (no. 4).
- **Export licences inside Europe:** Norway's block on the NSM for Malaysia is a reminder that a European missile can come with a European veto (no. 11).

Step towards autonomy

- **Industrial base:** EU ministers endorse a joint statement on defence security of supply and give the EDA more money (EDA).
- **Space:** NATO's STARLIFT starts pooling demand for launch services, and its new commercial space-data marketplace already counts 222 companies from 17 nations, with first orders due before year-end (Defence Industry Europe).

SIGNAL OF THE WEEK

Washington is no longer fighting European preference rules by complaint alone; it is removing the paperwork that justified them.

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