



How to build Resilience & Trust in the Defence Sector

Funding, Reporting, ESG,
Compliance, Risk & Cyber



The better the question.
The better the answer.
The better the world works.

Building Trust, Managing Risks & Securing the Future



SITUATION OF THE DEFENSE SECTOR

What is happening?

The European and German defense sector is undergoing a phase of dynamic growth. Geopolitical tensions, the realignment of defense policy, and significantly higher national and European defense budgets have led to a sustained rise in demand for military capabilities and industrial capacities. In 2024, Germany increased its military expenditure by 28 % to around USD 88.5 billion, making it the largest spender in Central and Western Europe¹ with collective defense spending having grown across the EU by more than 30 % since 2021².

Technological innovation, particularly in unmanned systems, cyber, and space technologies, is gaining importance. The global aerospace & defense market is expected to grow at a CAGR of about 6.4 % through 2029, reaching USD 1.1 trillion³. Defense, however, must be viewed as a comprehensive ecosystem. It interacts with and impacts numerous other elements of the economy, from advanced manufacturing and critical raw materials to logistics, digital infrastructure, and finance.

What changes?

This expansion drives structural change. For industry, rapid scaling of production capacity and resilient supply chains are central. For the public sector, governance, oversight, and compliance management across increasingly complex European projects become

critical. At the same time, financial models to secure rising investment volumes, Germany's defense budget is projected to grow from ~€95 billion in 2025 to ~€162 billion by 2029⁴ - require robust transparency and trust-building mechanisms.

What should companies consider now?

Companies need to manage many of the risks inherent to this strong growth by securing funding, building robust financial and non-financial reporting processes, strengthening internal controls, being compliant and resilient to crisis, protecting from cybersecurity

threats and transforming IT. Read on to find out how defense specific challenges can be tackled to sustain regulatory confidence, build resilience and achieve stakeholder trust.

IPO and Funding

How can growth be financed in the defense sector?

Implications of geopolitical tensions generate new growth opportunities and innovation potentials in the value chain of the defense industry. In this situation companies evaluate the strategic options of capital markets to fund these expansion plans and new alliances. Getting ready is key making use of the positive market sentiment in equity and bond markets.

CHALLENGES

- Strategy evaluation
Does an IPO, uplisting or bond issuance make sense to fund opportunities?
- Prepare the IPO roadmap
Which internal and external resources are needed to meet IPO milestones and to get IPO ready?
- Team and readiness PMO
Who is managing the IPO and transformation project with external advisors and internal stakeholders?
- Compliance and investor attention
How do we stay compliant in IR and capital market disclosures and with corporate governance?
- Getting capital markets ready
What changes (disclosures, infrastructures, processes and tools) and deliveries are key for a successful debut in capital markets?



Contact
Martin Steinbach

+49 6196 996 11574
Martin.Steinbach@de.ey.com



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IPO readiness health checks and assessment

Holistic IPO readiness assessment:

Interviews, interactive workshop, binder with checklists, benchmarks and best practices.

IPO destination assessment:

Evaluation of the stock exchange options and listing segment choices.

Detailed assessment results report and action list:

Identified gaps, target status, workstreams recommended and roadmap.

Readiness PMO and IPO advisory

Detailed roadmap for PMO:

Planning of workload, allocation to workstreams and personal ownership for each critical milestone.

PMO Capital market readiness (CMR):

Efficient management and monitoring of CMR progress based on CMR actions in roadmap and review workstream deliveries.

IPO advisory:

Beauty parades, index, investor relations including onboarding the boardroom.

Financial disclosure and IR infrastructure

IR function infrastructure:

Set-up and big picture of the investor relations function based on leading practices and benchmarks.

IR manual with owners and process documentation:

Roles, infrastructure and processes organizational chart and IR goals.

IR toolkits:

Disclosure committee, financial calendar, selection of disclosure tools.

Reporting

How can defense organizations ensure transparency without compromising on confidentiality?

Defense companies operate with highly sensitive data and information and therefore have a strong demand for robust processes and control systems. At the same time, with the rapid growth of the defense industry, the demand for optimization and digitalisation of accounting processes increases. M&A deals, and the complex business environment require a thorough understanding of the regulatory requirements. Our services support you to respond to these challenges.

CHALLENGES

- Sensitive information
Defense entities operate in a very sensitive environment, requiring a high level of data security and strong control system.
- Demand for efficient finance processes
The rapidly growing defense industry and the short reporting deadlines to capital markets and investors require efficient finance processes.
- Management decisions
The strong industry growth brings both business opportunities and risks, and therefore require well-founded strategic decisions.
- Mergers & Acquisitions
M&A deals require a thoroughly planned Post Merger Integration and the harmonization of accounting processes.
- Complex business
Customers within the defense sector are often armies and government bodies, requiring complex contractual regulations, which leads to complexity in accounting, e.g. for revenue recognition.



Contact

Wolfgang Maier

+49 89 14331 28039

Wolfgang.Maier@de.ey.com



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Governance, Risk & Controls

Optimization of Internal Control Systems: Strengthening internal controls to reduce risks, improve financial reliability and ensure compliance with regulatory requirements.

Accounting support for cyber security:
If in worst case a cyber incident has occurred, we have thorough experience in the recovery of reporting.

Financial Process & Systems Optimization

Optimization and Digitalization of Finance Processes including Record-to-Report, Purchase-to-Pay, Order-to-Cash, Controlling, Fast Close.

Accounting support throughout ERP transformations, e.g. during an SAP S/4 HANA transformation.

Implementation of reporting and consolidation solutions, e.g. with EPM solutions like CCH® Tagetik and Lucanet.

Financial Planning & Analysis (FP&A)

Setting Up / Optimization of FP&A processes: Design of best practice FP&A processes to support business decisions.

System support: Implementation of systems to automate FP&A processes.

Managed Services: Day-to-Day support of Performance Management functions.

Transaction & Technical Accounting

Post Merger Integration after acquisitions, including IFRS Conversion, Day-One Reporting, Purchase Price Allocation incl. valuations, setting up reporting processes.

Technical Accounting Support: Ensuring accurate accounting, especially in complex areas like revenue recognition according to IFRS 15, or for the implementation of new standards like IFRS 18.

Sustainability

How can sustainability strengthen resilience across financial, operational and digital domains and turn into a success factor for defense companies?

Germany and the European defence sector are experiencing rapid growth due to increased geopolitical tensions and rising defence budgets, with Germany's spending reaching around \$89 billion in 2024¹. Sustainability considerations are now essential for attracting investment and ensuring legitimacy, especially as recent conflicts have underscored defence's role in safeguarding democratic values and human rights. Technological innovation and structural changes are reshaping the industry, requiring companies to scale production, strengthen compliance and integrate sustainability into core strategies to meet green tenders' requirements. To succeed, defence firms must build transparency, manage ethical risks and ensure resilience across financial, operational and digital domains.

CHALLENGES

- New Regulations & Compliance
Adapting to CSRD, EU Taxonomy and sustainable finance (SFDR)/ supply chain requirements as well as ESMA guidelines.
- Stakeholder & Investor Pressure
Growing demand for transparency, accountability, and credible ESG disclosures also for public tenders.
- Reporting Deadlines & Governance
Urgency to meet regulatory timelines despite limited ESG know-how or structures.
- Capital Market Readiness
Preparing for IPOs and aligning with investor expectations through robust sustainability reporting.
- Sustainable Growth & Resilience
Driving low-carbon and circularity strategies, meeting climate goals, and future proofing the business.



Contact

Caroline Pfaff

+ 49 30 25471 11847

Caroline.Pfaff@de.ey.com



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CSRD & EU Taxonomy Readiness

CSRD Readiness Support:

Assess current practices, identify gaps, and design a roadmap to achieve CSRD compliance.

Double Materiality Assessment:

Assess and prioritize sustainability impacts, risks, and opportunities to identify the company's most material issues.

EU Taxonomy Support:

Map activities to EU Taxonomy to ensure compliance and boost sustainable investment appeal.

Reporting Support

Skeleton Report:

Build the foundation: outline key themes, metrics, and data sources to structure future sustainability reporting (early-stage, framework creation).

CSRD Report Preparation:

Deliver the outcome: draft and compile complete ESG disclosures in line with CSRD and stakeholder needs. (execution stage, actual reporting).

Sustainable supply Chain:

Support on criteria setting and audits.

Climate Strategy

Climate Transition Plan:

Develop actionable strategies and targets for a low-carbon business model.

GHG Emissions Baseline:

Calculate emissions across all scopes to set reduction pathways and set net-zero goals through decarbonization Workbench.

Climate Risk & Resilience:

Evaluate physical and transition risks and strengthen business resilience.

Circularity Strategy:

Set-up AI cases for recycling.

Technology

How can defense leaders balance resilience and innovation in technological transformation?

Defense companies must prioritize compliance with regulations like KRITIS and NIS2 to ensure cybersecurity, protect critical infrastructure, and support national security, evermore considering rising geopolitical threat actors. At the same time, adopting digital transformation and AI is key to modernizing operations and staying competitive.

CHALLENGES

- New Regulations & Compliance
Fulfilling Security Frameworks to guarantee cyber & physical security.
- Artificial intelligence
Leveraging AI Capabilities while incorporating "Trust in AI".
- Cloud Transformation
Moving Infrastructure into a defense suitable Cloud environment.
- IT Transformation
Effective Risk and Control Management while implementing digital Transformation.
- Business Continuity Management
Analysing & Implementing effective Resilience Plans for Business Continuity and Crisis Management.



Contact
Patrick Schneider

+4916093917890
Patrick.H.Schneider@de.ey.com



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Cyber and Regulatory Compliance

KRITIS Audit & Readiness:

Preparation or execution of a KRITIS audit including BSI reporting according to §8a (3).

NIS2 Compliance Services:

NIS2 scoping, readiness assessment, implementation support, leadership training and tool based EU-Country requirement overview.

Cyber Resilience Act (CRA):

CRA-Readiness Assessments, implementation support and training.

Critical Entities Resilience Directive

& KRITIS Dachgesetz:

Readiness Assessment and implementation support.

IT Governance

IT ICS Advisory:

Assessing and enhancing internal controls for IT processes and service providers.

IAM Advisory:

Evaluating maturity and implementing governance for effective access management.

Business Continuity Management:

Assessing maturity and supporting Business Continuity Management and Crisis Management implementation.

Data Governance:

Establishing and improving data governance, including AI assurance support.

IT Transformation

IT Transformation Assurance:

Examination or support for your IT transformation with a focus on risk management.

Cloud Transformation:

Examination or support for a secure cloud transformation.

SAP S&T Assurance:

Examination or support for a safe S/4 transformation, assistance in establishing a „Secure & Compliant S/4“.

AI Assurance:

Ensure safety and trust in AI systems.

Compliance Services

How can defense organizations strengthen compliance while scaling operations?

Defense companies operate in one of the most sensitive and regulated environments worldwide. Managing compliance risks, including anti-money laundering, sanctions, export control, and the prevention of undue influence on public officials, is critical for sustainable growth and stakeholder confidence.

Forensics Services support defense organizations in navigating complex challenges across compliance, investigations, disputes, and forensic technologies ensuring transparency, safeguarding reputation, and strengthening operational resilience.

CHALLENGES

- Regulation and Sanctions
New regulations and sanctions that have an impact on the export of defense.
- Suspicion of fraud or Asset misappropriation
Unexplained financial movements, ghost employees, or misuse of funds.
- Insider threats or espionage
Anomalies suggesting internal sabotage or intelligence leaks.
- Contractual Dispute
Conflicts over deliverables, pricing, or performance that require forensic analysis of records and communications.
- Cybersecurity breach
Malware infections, unauthorized access, or data exfiltration incidents.



Contact

Andreas Frank

+ 49 30 25471 19631

Andreas.H.Frank@de.ey.com



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Integrity & Compliance

CMS Audits:

Audits to assess a Compliance-Management-System (CMS):
IDW AaS 980.

Compliance Advisory:

Tailored advice to develop compliance processes (i.e. Third-Party-Management (TPM) process incl. sanctions).

IPO Compliance Readiness:

Assistance in preparing the CMS for public market entry.

Third-Party Assessments:

Compliance evaluations and background checks of third parties based on Corporate and Open Source Intelligence (C_OSINT).

Investigation & Crisis Management

Forensic Investigation:

Support in investigating suspected white-collar crime utilizing forensic analytics, eDiscovery, research and interviews, and delivering evidence-based reporting. This includes forensic accounting and balance sheet analysis, employing AI-driven functions such as clustering, thematic sorting, semantic search, and relevance ranking.

Crisis Management:

Establish and manage crisis processes, including risk assessment, planning, training, detection, and post-crisis evaluation.

Dispute & Litigations

Disputes & Conflict Resolution:

Assess complex financial and economic issues, presenting standpoints in legal and arbitration proceedings, and conducting independent and objective damage assessments.

Forensic Technologies

Cyber Response:

Responding to cyber incidents through forensic IT investigations, regulatory response, data analysis, and post-incident recovery.

eDiscovery & Data analytics:

Global data collection, case assessment, and analysis of structured data using advanced technologies, aiding investigations and regulatory responses.

Your contacts at EY



Dirk Machner
Partner
Middle Market Leader
Assurance EY Germany

+49 40 36132 25915
Dirk.Machner@de.ey.com



Andreas Frank
Partner
Compliance
Services

+49 30 25471 19631
Andreas.H.Frank@de.ey.com



Dr. Martin Steinbach
Partner
IPO & Listing Services

+49 6196 996 11574
Martin.Steinbach@de.ey.com



Caroline Pfaff
Partner
Sustainability Services

+ 49 30 25471 11847
Caroline.Pfaff@de.ey.com



Dr. Wolfgang Maier
Partner
Reporting Services

+49 89 14331 28039
Wolfgang.Maier@de.ey.com



Patrick Schneider
Director
Technology Services

+4916093917890
Patrick.H.Schneider@de.ey.com

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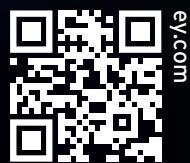
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