



BAE Systems has been awarded a new contract from the US military worth up to \$780m (£512m), in a rare spending boost from its largest single customer.

The US is BAE's biggest market but the defence contractor has warned it faced weak demand from across the Atlantic due to the scaling back of operations in Iraq and Afghanistan, as well as public spending cuts.

These factors have affected BAE's performance in the UK, where the group is grappling with the consequences of a sustained reduction in spending by the Ministry of Defence.

The five-year deal with the Pentagon to produce explosives at a plant in Tennessee includes a further order for IMX-101 munition that is seen as a safe and effective replacement for TNT in artillery rounds.

IMX-101 is part of a family of explosives under development called insensitive munitions explosives. These formulations are significantly more stable than conventional TNT, making the weapon systems they support safer for troops to transport and handle. Although investors will welcome new business from BAE's largest customer, the group has signalled its determination to move into new territories and new markets with its failed attempt to merge with EADS, the owner of aerospace giant Airbus.

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