

**PROGRESS OF VOLVO POWERTRAIN CORPORATION (“VOLVO”)
IN IMPLEMENTING OFFSET PROJECTS UNDER THE CONSENT DECREE**

I. Combined Exhaust After-treatment System (CEATS)

Pursuant to Paragraph 89 of the Consent Decree between the United States and Volvo Truck Corporation, Volvo Powertrain has implemented the CEATS Offset Project, which entails development and testing of an exhaust aftertreatment system consisting of two units, a diesel particulate filter and a selective catalytic reduction (SCR) unit. The combined after-treatment system will simultaneously reduce both NO_x and particulate emissions. The system was installed on 23 heavy-duty vehicles operating in northern Pennsylvania and New York. The SCR unit is designed to achieve additional emission reductions through the use of urea injection. All 23 vehicles have been in operation without urea injection since the third quarter of 2003, with the initial five test vehicles beginning operation in October 2002. No errors were reported in the operation of the vehicles during this time. The urea storage and fueling system was installed and the first delivery of urea was made in April 2004. After some initial problems, the urea dosing units were re-started on the vehicles a second time in September 2004. Since that time the exhaust gas aftertreatment system on all 23 test fleet vehicles has been fully functional as a combined NO_x and particulate emission abatement system. On-road emission measurements of all 23 trucks in October 2004 showed fleet average NO_x tailpipe emissions of 1.06 g/bhp-hr. In addition, in November 2004, Volvo Powertrain performed chassis dynamometer tests on an additional development vehicle identical to the field-tested versions. The results of these tests showed NO_x tailpipe emissions slightly above 1 g/bhp-hr and PM emissions below 0.010 g/bhp-hr. Volvo Powertrain expects to present a final report on the project by October 2005.

II. Low Emission Natural Gas Vehicle (LENGV)

Pursuant to Paragraph 89 of the Consent Decree, Volvo Powertrain has implemented the LENGV Project, which involves development and field-testing of 6 vehicles in California fueled by compressed natural gas (CNG). All six CNG vehicles are now in service with customers in four cities in California; Anaheim, Downy, San Francisco, and Santa Clara. All of the vehicles have been in operation in California since 2004. During this period, Volvo Powertrain has tracked certain performance characteristics of these vehicles, including mileage, reliability and fuel consumption. Volvo Powertrain expects to present a final report on the project to EPA by January 2006.