



ANNUAL REPORT 2016

THE OCEAN[®]
CLEANUP

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WELCOME

For The Ocean Cleanup, 2016 has been an incredible year of knowledge build-up, engineering, and preparation. Over the past twelve months, we have once again taken major steps towards achieving our ambitious goals.

The most visible achievement and milestone of the year was the launch and deployment of the North Sea Prototype (a.k.a. Boomy McBoomface) in June. Next, we made big strides in our groundbreaking research into the ocean plastic problem, conducting the first-ever aerial survey of the Great Pacific Garbage Patch to complete the mapping of the previous year's Mega Expedition. Throughout 2016, we continued our testing and research

work. To meet the exciting challenges ahead, we doubled the size of our organization and strengthened its structure and professionalism, while taking care to preserve The Ocean Cleanup's innovative organizational culture.

We continue to rapidly upscale as we move ahead. We made great progress in 2016, and this year promises to be even better; in 2017, we plan to start our trials in the Pacific – preparing for the world's first working plastic collection and extraction array.

MISSION AND PLANS

The Ocean Cleanup designs and develops advanced technologies to rid the oceans of plastic. Our purpose is to drive the largest cleanup in history by means of large-scale, efficient and environmentally-sound removal of plastic pollution from aquatic ecosystems. The Ocean Cleanup Foundation, a not-for-profit organization fully funded by external, mainly private contributions, aims to initiate cleanup of the Great Pacific Garbage Patch in 2018.

Trash accumulates in 5 ocean garbage patches, the largest one being the Great Pacific Garbage Patch, located between Hawaii and California. If left to circulate, the plastic will impact our ecosystems, health and economies. Our passive cleanup units are designed to capture virtually any type of floating debris. Models show that by utilizing vast rotational ocean currents in the accumulation zone in the North Pacific, a fleet of cleanup systems with a combined span of 100 km can harvest half the Great Pacific Garbage Patch in 5 years.

- An array of U-shaped floating screens will assemble and concentrate the plastic deposited there by the natural ocean currents;
- Underneath the flotation bodies, a 3-4 meter submerged non-permeable screen will help concentrate the plastic which is suspended under the surface;
- Due to the shape of the cleanup systems, the currents will funnel the plastics towards the center of the structure enabling efficient extraction and storage of the plastic before it is shipped to shore for further processing;

- By gradually adding systems to the fleet in an accumulation zone, we mitigate the need for full financing upfront. This gradual scale-up also allows us to learn from the field and continuously improve the technology along the way.

Having demonstrated the theoretical feasibility of our first concept in 2014 (Feasibility Study), we started a series of upscaling tests linked to multiple rapid technology iteration cycles. By late 2017, The Ocean Cleanup aims to launch the first operational trial in Pacific waters. As we announced on May 11, 2017, we project to be ready to deploy and operate our first operational system in the Great Pacific Garbage Patch in 2018.

WHY IS THIS IMPORTANT?

According to current scientific consensus about 8 million tons of plastic 'disappear' into the oceans each year. Much of that washes back on shore, while some of it sinks near the coast. Another portion of it floats away to end up in one of five accumulation zones which are created by vast, circulating currents in the middle of our oceans. Once caught in these so-called 'gyres', the plastic can no longer escape. It is there to stay, and the problems it causes keep getting bigger every day.



The 5 gyres.

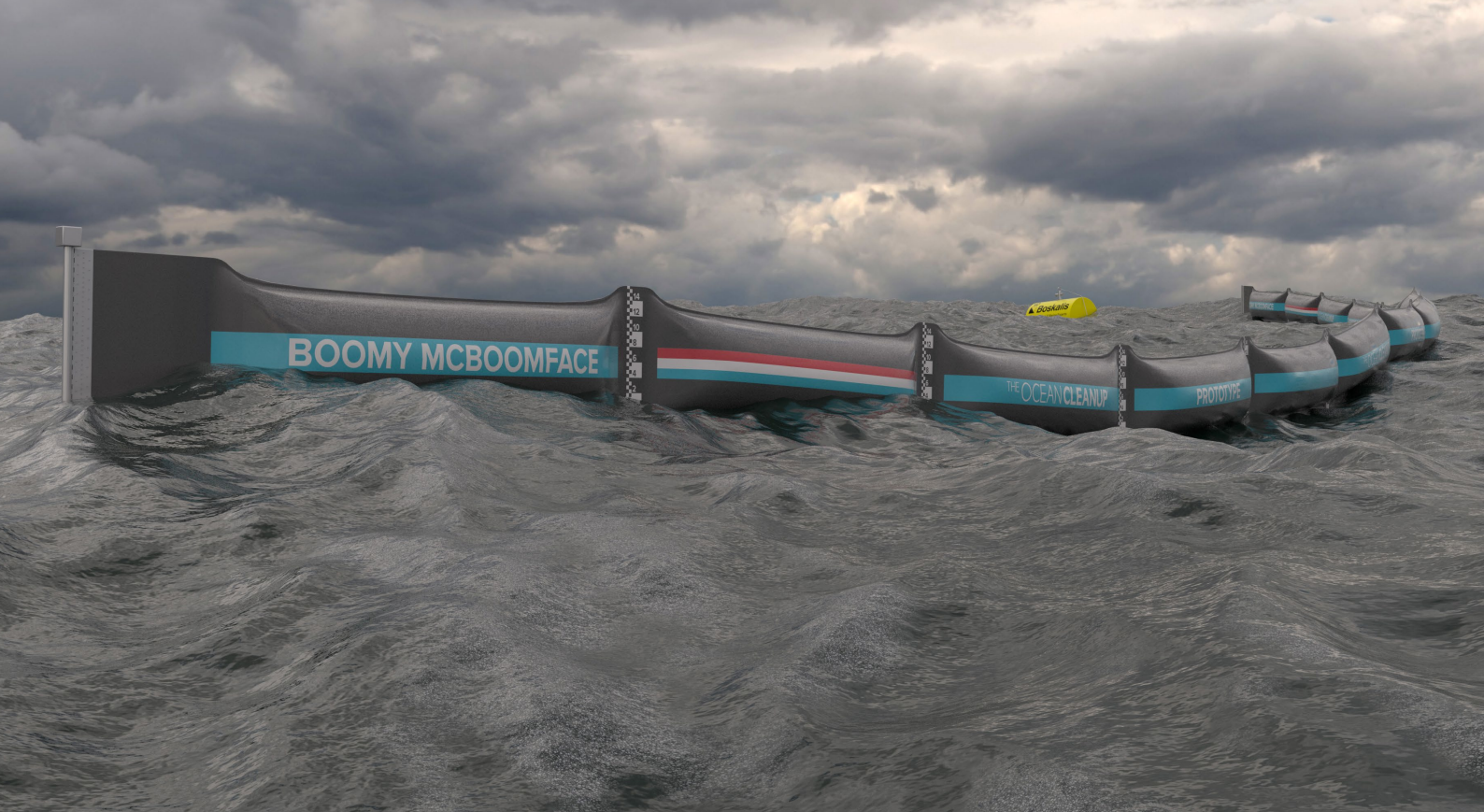
Floating plastic is harmful because it breaks down under the influence of sunlight, resulting in countless small pieces that end up in our food chain. Plastic waste endangers close to 200 species (birds and marine life), and, according to the UN, causes \$13 billion in damage annually to economies worldwide.

Mankind must respond in two ways to the exponential growth of plastic accumulation in the oceans. We must stem the influx of more plastic into ocean waters, but – equally important - we must remove as much plastic as quickly as possible. Fortunately, we see many initiatives (existing and emerging) that are focusing on e.g. beach cleanups, awareness programs and developing alternatives for the use of plastic packaging. All efforts that can help to reduce the amount of plastic that flows into the ocean are necessary and have our warmest support. None of these however will solve the current, persistent problem of plastic pollution in

the oceanic accumulation zones. The Ocean Cleanup has developed the first feasible method to achieve the removal of plastic from these zones, and is preparing for its proof of concept in the Pacific Ocean by 2018.



Stomach contents of a single sea turtle found dead in Uruguay



HIGHLIGHTS OF 2016

Over the past year, we have significantly deepened our scientific understanding of the marine plastic problem while improving our technology and strengthening our organization. We have made particularly strong progress in grasping the true dimensions of the ocean plastic problem and in moving our technology from the drawing board to a real, practical solution. In this development and growth of the project, 2016 brought two notable highlights.

NORTH SEA PROTOTYPE

In June 2016, with the invaluable support of our partners – the Dutch Ministry of Infrastructure and Environment (Rijkswaterstaat), Ministry of Economic Affairs, and Boskalis – we successfully deployed the first ocean cleanup prototype in the North Sea. A 100m inflatable boom was moored to the seabed, marking the first time our barrier design was put to the test in open waters.

The objective of the prototype test was to study the behavior and durability of The Ocean Cleanup's design under extreme conditions. At the North Sea test site, allocated to us 23 km off the coast at Scheveningen, conditions during a minor storm are more severe than those in exceptionally heavy storms (occurring once every 100 years) in the Pacific Ocean.

With a little help from Mother Nature, we were able to test these destructive forces even faster than we had anticipated. The summer of 2016 brought unseasonably extreme weather. During a planned inspection of the prototype we discovered that the two outermost air chambers were bent out of shape. Underwater footage revealed the problem: the shackles connecting the barrier to the permanent mooring system were failing. After diagnosing the cause of this event, we continued to monitor the situation carefully, executing plastic capturing tests on two occasions during quieter periods.

After nearly two months, during which time the prototype had been exposed to large waves and winds of up to 45 knots (9Bft), we saw that the barrier was suffering from an increase of leaks and other damage. Hence, we decided to disconnect it and bring it back to shore. From the start of the project, we had assumed we would need to remove the barrier and redeploy it several times during the anticipated 8 to 12-month testing period, so we were prepared to take it out of the water after 10 weeks.

Our findings on the North Sea Prototype provided empirical support for us to part with the original ocean cleanup barrier concept and towards a radically new design for our floating screens. The resulting change is threefold: we are now using a stronger, more rigid HDPE-pipe as a floating body; we have changed the load path in the boom; and instead of a single, very large barrier moored to the seabed at a fixed location, we will deploy a number of smaller, 'sea-anchored' drifting barriers.

Having made such key changes to the design, we saw no benefit in reinstalling the old barrier prototype. We did receive permission to use our North Sea test site longer than originally agreed, and are currently planning to install a section of the new design at this location in 2017.



Photo credits: Boskalis

AERIAL EXPEDITION

Between September 26 and October 7, 2016, The Ocean Cleanup conducted a series of reconnaissance flights across the Great Pacific Garbage Patch in a mission we dubbed the Aerial Expedition. The objective was to accurately quantify the ocean's biggest and most harmful debris: discarded fishing gear called ghost nets. Determining the amount of this large debris is the final stage of mapping the ocean plastic problem.

With a flight crew of 10 researchers, 3 sensor technicians and 7 navigation personnel, The Ocean Cleanup's Aerial Expedition used a combination of experienced human observers and advanced sensors to count how much debris they could spot. Named Ocean Force One at the suggestion of a Twitter follower, the C-130 Hercules aircraft flew at a low speed (140 knots) and altitude (400m) while mapping the area. Advanced sensors helped convert the count from the visual survey to a weight estimate by registering the size of the objects detected. The aim of this experimental setup was to improve the accuracy of ocean plastic

estimates and to record key characteristics of the objects spotted, including their volumes. The survey confirmed the abundance of plastic debris sized 0.5 m and up. On the flight along the Northern boundary of the patch, in a span of 2.5 hours, over a thousand items were counted; more than what would be expected to be found in the heart of the accumulation zone.



UNDERSTANDING THE PROBLEM

For the development of our cleanup technology it is essential that we understand the problem. We need know the dimensions of the individual objects that are out there, and we must also have accurate information about the plastic accumulation as a whole. The reason is simple: the nature and amount of debris will determine the design of our cleanup systems, the logistics of hauling plastic back to shore, the methods for recycling plastic, and the costs of the cleanup.

The quest to answer these questions began in August 2015, when The Ocean Cleanup's fleet of about 30 vessels crossed the patch simultaneously in an operation named the Mega Expedition. During their crossing, a wide range of debris sizes were sampled, producing the first high-resolution map of the patch. By using sampling nets that were 80x larger than conventional scientific measurement tools, we discovered that the amount of large debris had been vastly underestimated.

The Mega Expedition successfully measured plastic debris up to 0.5m in diameter, but there were signs of a significant mass of plastic even larger than that. This includes ghost nets: discarded fishing nets many meters across, which are notorious for ensnaring sea life and ship propellers.

To accurately quantify these and other types of very large debris, a much larger area had to be covered, which led to the launch of the Aerial Expedition in September 2016. It covered an expanse more than 100 times larger than the area mapped in the Mega Expedition. This massive increase in survey area enabled the quantification of the largest pieces of trash in the ocean, the last piece of the ocean plastic puzzle.

The results from the 2015 Mega Expedition will be combined with the data collected during the Aerial Expedition - the first-ever aerial survey of an ocean garbage patch - in a peer-reviewed scientific paper. Publication is expected in 2017.





TECHNICAL PROGRESS

OCEAN PROJECT CONCEPT DEVELOPMENT

The Ocean Cleanup's philosophy has always been to use a dynamic system that lets the natural ocean currents concentrate and capture plastic debris for us, rather than actively going after the plastic ourselves. A key development in our concept over the past year was the move from a stationary cleaning system to a moving one.

A moving system can use the currents to collect and concentrate ocean plastic if its barrier moves at a slower speed than the plastic. We have discovered that we can achieve this effect by weighting our barrier system with an anchor suspended in a deeper layer of the ocean (e.g. 500-1000 m). The reason is simple: the currents at these lower depths move more slowly. With the deep anchor slowing it down, the barrier on the surface will move more slowly than the plastic moving along with the surface (or near-surface) currents.

A big benefit of moving systems – which are neither moored to a fixed location on the ocean floor, nor fixed in terms of their directional orientation – is that they are exposed to much less of the punishment the ocean throws at them.

Any structure with a fixed mooring and orientation needs to absorb all forces of the ocean current and wind combined. But because our barrier can freely move and rotate, it will constantly pivot to face the oncoming current – regardless of changes in the current's direction.

One way to summarize these discoveries is this: if you want to catch the plastic, you must act like the plastic. Because the barriers are carried by the same forces as the plastic, the cleanup systems will inherently drift towards the areas with the highest concentrations of plastic. In effect, the systems will act like giant 'plastic magnets'.

Over the past 6 months, we have turned this novel idea into a fully developed concept that we expect to test at scale for the first time towards the end of 2017.

RECYCLING

The plastic we collect in the oceans will be brought back to land for recycling. There, the material will be sorted into a range of qualities. Lower-quality recovered plastics will be converted into diesel fuel through pyrolysis, preferably to be used for our service vessels. High-quality plastic will be mechanically recycled to serve as feedstock for new, durable products. Thanks to growing public awareness of the ocean plastic problem, recovered plastics have significant brand value and can be sold at a premium. Through certification and careful ingredient branding, we

aim to sell our recycled ocean plastic directly to consumer brands. Potentially, this could enable us to become (wholly or partly) self-sustaining while rolling out cleanup operations to other gyres.

Several interested ocean plastic buyers have already contacted us and we are selectively engaging in pre-marketing discussions. Other revenue opportunities are currently being assessed.





MITIGATING RISK

The Ocean Cleanup is a project with big ambitions. We are trying to achieve something that has never been done before, and it is both logical and unavoidable that such an endeavor carries some risk. Below, we summarize how we are dealing with the most relevant risks that have been identified.

ENVIRONMENTAL IMPACT

Protecting the natural environment is at the heart of what we do. It is the driver behind our efforts to remove large amounts of plastic pollution from the world's oceans. At every stage of our work, we actively seek to eliminate or reduce any environmental impact that the cleanup may have.

Our focus on minimizing impact on marine life is a key reason why our design involves a floating barrier with non-permeable screens hanging down into the water, rather than nets. No life can get entangled or caught by our barriers and screens. Unlike nets, the barriers will allow marine organisms and mammals to pass, along with the natural flow of the current underneath the barriers.

As we proceed through our upscaling and pilot testing program, we will continue to intensively research the environmental impact of the cleanup. This will remain an integral part of our design process; in our view, minimizing unexpected and negative effects on marine life is a basic design requirement. We have hired a specialist to take the lead in this respect, and we are now preparing a review of the environmental impact of our pilot plans. The interaction between the cleanup systems and marine fauna is one of the key topics to be studied while the first system is being tested.

TECHNOLOGICAL RISK

Cleaning the ocean won't be easy. It will require the deployment of multiple barrier systems in deep ocean waters. These will have to be installed ten times further away from land than the world's most remote oil rig.

Considering the technology's novelty and scale, success is not guaranteed. Working to achieve things never done before requires agility and the flexibility to adjust plans based on new insights. Rapid iteration cycles and flexible planning are helping us to manage and mitigate technological risk.

Risk mitigation and elimination is the key to our method of technology development. The process of iterating, validating and learning through tests and pilots reduces risks in a rapid and agile, yet systematic way. We are tackling the biggest risks first and moving on to smaller ones over time, testing to find where reality doesn't match our assumptions.

When we consider risks that are beyond the scope of our own expertise, we use external input to challenge our methods and information. For this reason, we have sought and secured support from specialists in a variety of fields, such as offshore engineering and maritime law. Where possible we collaborate with academic and independent research institutions like MARIN and Deltares in The Netherlands and universities in The Netherlands, Brazil, Australia and Austria.





ORGANIZATIONAL DEVELOPMENT

In 2016, we doubled the size of the organization while introducing more structure and professionalism. In doing so, we took care to retain the innovative culture of The Ocean Cleanup. We feel that we can only realize our lofty ambitions in an environment of freedom and responsibility. To safeguard against any type of misconduct or fraud, we do need to maintain a baseline of standard procedures and guidelines.

RESTRUCTURING

To stay apace with the growth in The Ocean Cleanup's activities, the organization has been undergoing a restructuring since November 2016. Several subsidiaries were created under the original foundation 'Stichting The Ocean Cleanup'. The Ocean Cleanup remains a not-for-profit organization, but the restructuring enhances clarity, reduces possible risks and offers some financial advantages. This way we can ensure that all the contributions coming from our supporters are more wisely spent on the real goal of ridding the oceans of plastic.

In preparation for the operational activities involved in cleaning up the North Pacific Garbage Patch, we established The Ocean Cleanup North Pacific Foundation in January 2017. This foundation was established under US law; we expect to finalize the 501(c)(3) status process before the end of 2017.

GOVERNANCE AND STAFFING

Our success depends upon working with the brightest minds in professions ranging from engineering to marine biology. Over the past year, we expanded our operational team from 20 to 50 staff. These paid employees worked alongside a team of volunteers. In addition to hiring exceptional people, we continue to work closely with leading offshore engineering companies and research institutes to ensure that we remain open to new ideas and the constructive criticism that we consider vital to our work. By collaborating with these organizations, we gain access to their rare and specialized skills without financially overburdening ourselves long-term.

The foundation has an Executive Director (CEO), Boyan Slat (M) - 1994, who leads the 3-person management team (CEO, CFO, COO).

In line with the usual two-tier system, executive management is separate from the non-executive supervisory role. The Supervisory Board consists of at least three persons. Its members hold management accountable for all major decisions (which can only be implemented with the Supervisory Board's approval). The supervisors also act as a sounding board for the management team.

ACADEMIC PARTNERSHIPS

The Ocean Cleanup actively collaborates with the universities of Delft, Wageningen, Utrecht, Perth, Vienna, Aachen, Rio Grande and Caxias do Sul to ensure a high standard of scientific work.

In 2016, we introduced a Scientific Advisory Board overlooking our work in the most critical fields. Support was found in ecology & marine biology, maritime law, oceanography and offshore engineering & design.

FINANCIAL PERFORMANCE

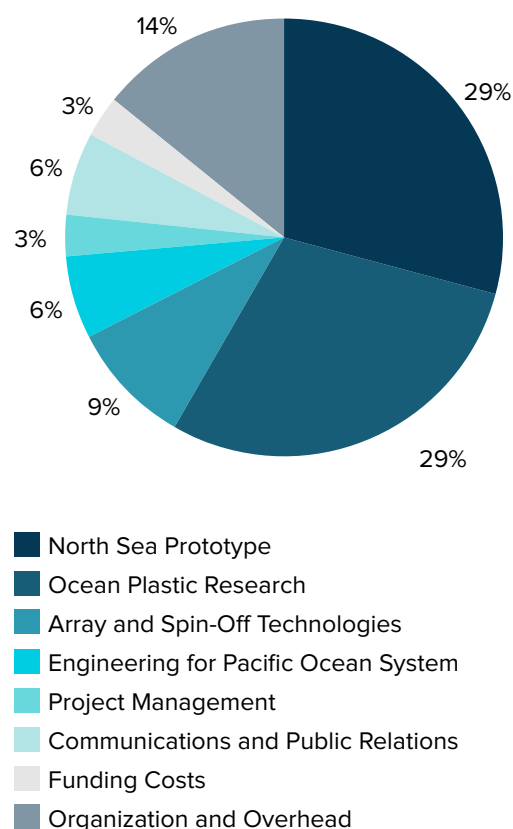
The Ocean Cleanup is a project-driven organization. Funding levels need to support project and overall program budgets, which may move forwards or backwards in time. Rather than allocating funds based on the annual organization-level budgets available, we have opted to raise the funding required for project development based on overall program and specific project funding needs in the context of developing technology, the latest lessons learned, and up-to-date insights.

In November 2016, we began a restructuring of the organization, creating several full subsidiaries of 'Stichting The Ocean Cleanup'. Some activities and costs, such as project-related activities and personnel costs, were transferred to one of these companies. The consolidated numbers for The Ocean Cleanup provide a fair representation of the total costs for 2016. For accounting purposes, however, we have presented the results for Stichting The Ocean Cleanup separately. The 2016 results from the different subsidiaries will be presented in the 2017 annual report due to an extended financial year for these subsidiaries.

In 2016, Stichting The Ocean Cleanup incurred costs of EUR 3.7 million. Most of this amount (EUR 2.8 million, or 74% of total costs) was spent on our projects. The North Sea Prototype accounted for EUR 1.1 million. Research costs for Ocean Plastic (including the Aerial Survey Project), Recycling and Plastic Flow Modeling totaled EUR 1.1 million. Concept development costs for the Ocean Cleanup Array and spin-off technologies were EUR 334,000. Engineering costs for the design of the Pacific System were EUR 239,000.

The organization also spent EUR 333,000 (9% of total costs) on communication, raising awareness of the ocean plastic problem, fundraising and communicating about our progress. We also used our communication power to position The Ocean Cleanup as an attractive employer to top-tier talent, a growing number of whom are needed to fulfill our mission. EUR 533,000 (14%) was spent on our organizational backbone, EUR 67,000 of which were offset by in-kind donations of equivalent value.

SPENDING BY COST AREA



On a consolidated level (unaudited), the costs incurred by the whole organization amounted to EUR 4.2 million. The extra amount above the EUR 3.7 million incurred by Stichting The Ocean Cleanup was mainly due to depreciation of project equipment and personnel expenses.

Our budget for 2016 included significant projected spending for our Coastal Pilot deployment and a Mooring Pilot. After extensive research, both projects were cancelled due to risk-mitigation and new insights, mostly stemming from our experience with the North Sea Prototype. Spending on other projects was in line with budget levels.

FUNDING

Development of our ocean concept in 2016 gave us a clear picture of the next phase: working towards a proven concept that will for the first time begin capturing ocean plastic. We have communicated our funding needs for this next phase with several companies and private persons who share our mission and goals. Their interest resulted in the successful funding of this crucial development phase; donations from several parties brought in a total of EUR 20.2 million between November 2016 and April 2017, which will bring us to have a first working system in the Pacific Ocean. Our next funding target will be to raise the capital for the systems 2 and up.



THE PLAN FOR 2017

In 2017, it will be our main ambition to bring our plans from the ‘feasible’ stage to the level of ‘proven technology’. Our Pacific Pilot will yield valuable insights and show us the way forward for upscaling our cleanup operation.

To get there, our engineers are busy tackling the biggest remaining technical risks. Aside from overseeing the engineering developments, the management team will focus on attracting the right partner for the execution of the pilot project.

Meanwhile, our marine plastic lab will publish a series of peer-reviewed reports based on its analysis of the samples gathered during the 2015 Mega Expedition and the 2016 Aerial Expedition. Our recycling team will finish its first

extensive report on the mechanical recycling of the kinds of ocean plastic found in the Great Pacific Garbage Patch. As in years past, we are still a project-driven organization for whom annual budgets are less valuable management steering tools than budgets and plans drawn up for individual projects and the overall program.

In 2017, we expect to incur total costs of EUR 13.6 million and to see an income of EUR 1.8 million in the shape of (in-kind) donations. The expected result is a net cost of EUR 11.8 million. Almost all of our spending is project-based and depends upon developments in our technology and overall planning. As such, actual costs are likely to differ from the projected level. All projects are budgeted in detail before they are given the go-ahead, and all financial commitments are made in light of available funding sources.

A WORD OF THANKS

Everything we have learned and achieved has been made possible by the backing of many thousands of supporters who kickstarted The Ocean Cleanup in 2013 and continue to support our push for the biggest cleanup in history. We are fortunate to have the additional backing of a handful of global companies and philanthropists who not only provide us with financial firepower, but also with good advice, essential contacts, and sometimes even friendship. In the future, The Ocean Cleanup aims to become at least partially self-sustaining, but for now we continue to rely on their support, and yours.

We would like to thank the major donors who have generously provided The Ocean Cleanup with anything we need. Among these are philanthropists such as Marc and Lynne Benioff, charitable organizations like Adessium Foundation, corporations including Microsoft, Boskalis, AkzoNobel and Royal DSM, and the Dutch government. A handful of prominent and highly generous funders wish to remain anonymous. We respect and admire this, and would nonetheless like to formally express our appreciation for their support.

To the many organizations and companies that support our cause with their services: you have our eternal gratitude. Much of what we have achieved would not have been possible without you.

A special word of thanks goes out to our critics, whose commentary and ideas we respect and take seriously. In providing feedback you ensure we remain focused and sharp in our thinking, helping us achieve a goal that is important to everyone.

Finally, and most of all, we would like to thank the many thousands of individuals whose support, financially and otherwise, is creating the conditions that can make our cleanup a success.



REPORT OF THE SUPERVISORY BOARD

In 2016 the Supervisory Board ('SB') has been actively in dialogue with the Management Team ('MT'), in line with the swift progress of the organization. As such the six formal SB meetings with the MT, covering written and oral reports on financial, operational and strategic issues, represented just a fraction of the involvement of Board members. All Board members visit the office from time to time, meet the crew, and get updated regularly. The SB is aware of the necessary distance between managerial and supervisory roles and therefore carefully balances its 'supporting' role, with its 'challenging' role towards the MT.

The Ocean Cleanup is on its way from 'zero to one': from ideas, plans, tests and prototypes, to the first cleanup device in the Great Pacific Garbage Patch. This is a turbulent phase for any organization. To cope with all developments, The Ocean Cleanup had and has to scale up its workforce in quantity and quality at a challenging speed. This is no easy task and we thank all those, internally and externally, who contributed. The SB was and remains actively involved in the search, selection and development of members of the MT.

The SB agreed to MT proposals for significant spending on ocean plastic research, both in 2015 (Mega Expedition) and in 2016 (Aerial Expedition). This research leads to a solid understanding of the problem, which is the basis for finding an effective solution and for risk reduction. Moreover, it yields information needed to build a business case for re-using the ocean plastic that will be captured once the clean up has started.

The Aerial Expedition was executed to investigate specifically the large pieces of plastic debris floating in the Great Pacific Garbage Patch – a ticking time bomb for the wellbeing of sea life and humans. The Ocean Cleanup not only uses the collected data and analysis for its own purposes, but also makes it available to society at large, through publications in prime scientific journals. Some of the findings have already been published. In 2017 additional

publications will follow. The SB endorses this open policy. Anyone can follow the publications through our website under 'scientific publications'.

Testing a prototype in the North Sea, launched in June 2016, was a milestone as well as an experiment with important lessons. Not only from a technical point of view, but also from a management and organizational perspective: governmental involvement, operations at sea, licenses, insurance, etc. – all of these aspects were covered. This project ran in good cooperation with, and support by, the Dutch Government, Rijkswaterstaat and the City of The Hague, the leading global dredging and maritime company Royal Boskalis, and several other partners. The SB expresses its sincere thanks to all of those involved.

Early 2016 management presented an analysis of the biggest (remaining) potential challenges. This risk analysis stimulated the team to study a.o. alternative anchoring techniques and boom designs. One of the SB members chairs the Scientific Advisory Board, and as such has been actively involved in the discussions between the engineering team and external experts. The results of the redesign 2016/2017 were announced on May 11, 2017 and will bring us closer to 'one' than ever. The presentation is available on our website.

SB members support the CEO in his endeavours to generate enough funding for all activities. It is evident that the issue of plastic pollution of oceans has no logical problem owner. The solution that The Ocean Cleanup aims to realize will be based on breakthrough technology, invented while working. As a consequence the plan is regularly adapted, based on iterative testing and new information. The organization is hesitant to spend time and money on writing up lengthy request-for-funding-proposals; these would be out-dated soon after release. The Ocean Cleanup therefore needs, and asks for, fast decision-making. This all illustrates why it is no wonder that most of the funding has been sourced from entrepreneurs-philanthropists who share our passion to rid the oceans of plastic debris, who recognize the need for focus and who are comfortable with decision-making about innovative and uncertain activities.

The year-end balance sheet shows ample cash. The majority of the cash needs for 2017 plus the first half of 2018 was raised and paid for in the fourth quarter of 2016. This enables us to operate in 2017 with maximum focus on making technological progress. Once the first pilot has shown to work properly, the SB trusts The Ocean Cleanup can broaden the profile of funders considerably to scale up.

The growth of the organization, and the start of operations at sea in particular, made us realize executing all tasks within one foundation was not the optimal structure. Supported by prime external advisors, management and staff prepared a new structure. Several companies, all fully owned by the foundation and fully aligned with the foundations mission, were established by the end of the year. The new structure does not dilute the Supervisory Board's role.

The SB supports the aim of the MT to foster a culture of innovation, high performance, freedom and responsibility. In such an atmosphere procedures generally come second. The SB has observed, however, that management and staff have improved in 2016 those procedures where needed, and are making further steps in this respect in line with the growing substance of activities. This leads to a positive opinion of the SB on the general procedures in the Foundation.

The composition of the SB changed in July 2016, when Rutger Arisz replaced Frans Ratelband. Frans has been a volunteer/board member since 2013, sharing his expert knowledge on project management. This is an essential element in our work and we are grateful for his contribution.

Being a world champion rowing (1989), Rutger certainly brings his 'go for gold' mentality to the dialogue. He combines his background and early career in law with his experience in business development and organizational aspects at Schiphol and Ajax.

In the last quarter of 2016 Chris van der Vorm joined the Board. Being a civil engineer and entrepreneur, he understands the challenges our engineering teams face; currently active as a filmmaker, he is also a sounding board for communications.

Notwithstanding our wish to include women in the Management Team and Supervisory Board, both teams happen to be composed by male members only. Diversity is currently realized through significant different background and experience of all members.

The Supervisory Board would like to thank all volunteers, employees and management, funders, partners, and general supporters, for their contribution in time, knowledge, network, and/or money, to our mission: to rid the world's oceans of plastic.

The Supervisory Board,

Rutger Arisz	(1970)
Frederik Gerner	(1981)
Evert Greup	(1956)
Chris van der Vorm	(1972)

FINANCIAL STATEMENTS

BALANCE SHEET

Assets				
	Note		2016	2015
Fixed Assets	1	Tangible Fixed Assets	48.5	206.7
	2	Financial Fixed Assets	244.6	-
Fixed Assets Total			293.1	206.7
Current Account Group Companies	3	Receivables from group companies	281.7	-
Current Account Group Companies Total			281.7	-
Short Term Receivables		Debtors	2.1	18.2
	4	Other Receivables and Accrued Assets	22.1	25.9
Short Term Receivables Total			24.2	94.5
Cash				
	5	Cash	16,292.7	1,444.3
Cash Total			16,292.7	1,444.3
Total Assets			16,891.7	1,745.5

Liabilities				
	Note		2016	2015
Fund Capital	6	General Reserve	0.0	58.7
Fund capital Total			-	58.7
Current Account Group Companies		Payables to group companies	32.7	-
Current Account Group Companies Total			32.7	-
Short Term Liabilities	7	Donations received and not yet committed - general accrual	15,883.8	1,344.6
	8	Donations received and not yet committed - dedicated accrual	707.7	215.1
		Creditors	60.1	49.9
	9	Tax and Social Security	67.2	5.1
		Suspense Accounts	46.8	0.0
	10	Other Liabilities and Accrued Expenses	93.4	55.1
Short Term Liabilities Total			16,859.0	1,686.6
Total Liabilities			16,891.7	1,745.5

STATEMENT OF INCOME AND EXPENSES

Income			
Eur000's	Note	2016	2015
	Cash donations	17,863.4	2,290.4
	Donations in kind	701.6	693.9
	Reimbursements	119.6	33.4
	11 Movements in accrued liabilities - donations received and not yet committed	- 14,973.2	119.3
Income total		3,711.4	3,136.9

Expenses			
Eur000's	Note	2016	2015
	12 Human Resources	1,735.5	1,007.1
	13 Charters of vessels and staff	234.8	835.2
	14 Third party research, engineering and testing facility costs	417.8	454.1
	Trawling equipment for marine research	0.0	211.8
	15 Multimedia communications and public relations	152.0	122.5
	Travel and accomodation	127.7	119.1
	Transport and storage	17.4	114.5
	16 Depreciation charge	191.2	106.9
	17 Other project costs	460.2	51.9
	18 Financial income and expenses	35.4	-35.4
	19 Other non-project costs	339.5	149.2
Expenses total		3,711.4	3,136.9
Result		0.0	0.0

NOTES TO THE FINANCIAL STATEMENTS

GENERAL

The annual accounts have been drawn up in accordance with Standard 640 'Nonprofit organizations'.

FOUNDING AND ACTIVITIES

Stichting The Ocean Cleanup was incorporated on February 15, 2013 and has its registered office in The Hague. Stichting The Ocean Cleanup is registered at the Chamber of Commerce under the number 57262632. Stichting The Ocean Cleanup is a non-profit organization.

The objects of the Foundation are to:

- Develop and apply technologies (directly as well as indirectly) to remove plastic pollution from the oceans/seas on a large scale;
- Develop and apply technologies (directly as well as indirectly) to remove plastic pollution from waste streams on a smaller scale, to prevent it from reaching the oceans/seas;
- Increase social awareness of the pollution of the marine environment by plastic, and other acts and things which in the broadest sense relate or may be conducive to the aforesaid objects.

TRANSLATION OF FOREIGN CURRENCY

Accounts in US dollars or other foreign currency are translated to Euro's at the exchange rate prevailing at balance sheet date.

ACCOUNTING POLICIES IN RESPECT OF THE VALUATION OF ASSETS AND LIABILITIES

GENERAL

The financial statements are prepared in Euros, and reported in thousands. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at face value.

TANGIBLE FIXED ASSETS

Tangible fixed assets are valued at cost less accumulated depreciation and, if applicable, impairments. Depreciation is based on the useful life and calculated as a fixed percentage of the acquisition price, taking into account any residual value. Depreciation starts at the moment of commissioning.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at face value less a provision for bad debts, as required.

EQUITY

The reserves are at the free disposal of Stichting The Ocean Cleanup.

DONATIONS RECEIVED

The received donations are expected to cover future costs, and therefore not stated as equity but as liabilities. Some donations have a dedicated benefit, when they are donated to help realize a certain project. These are categorized in a dedicated accrual. Other donations are for the realization of the mission of The Ocean Cleanup, and are therefore for general use. This general accrual is at the free disposal of Stichting The Ocean Cleanup.

ACCOUNTING POLICIES IN RESPECT OF RESULT DETERMINATION

GENERAL

Income and expenses are accounted for on accrual basis. Income is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

INCOME

The revenues in the Statement of Income and Expenses are the donations received from individuals and businesses. An accrual is taken at the end of the year for donations received which are intended to cover future costs.

EXPENSES WORK CONTRACTED OUT AND OTHER EXTERNAL EXPENSES

Costs of subcontracted work and other external costs are allocated to the period concerned.

HUMAN RESOURCES

Stichting The Ocean Cleanup does not have a pension scheme for its employees. The employees are responsible themselves for taking out a pension scheme.

DEPRECIATION CHARGE

Depreciation of fixed assets is based on an estimate of their useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use. Book profits and losses upon disposal of a business asset are included in depreciation.

FINANCIAL INCOME AND EXPENSES

Interest income and expenses consist of interest received from or paid to third parties.

OTHER OPERATING EXPENSES

Costs are taken into account under the historical cost convention and allocated to the period concerned.

BUDGET

In accordance with RJ 640.204 the organization has to publish the budget of the actual year including an explanation of the major differences between budget and actual income and costs. Because The Ocean Cleanup is a project-driven organization, the key management steering tools are project and overall program budgets, which may move forwards or backward in time, rather than annual organization-wide budgets. These project and program budgets are aligned with available funding and driven by developments in technology, assessments of risk and overall planning. As such, we do not provide a comparison of actual results for the financial year to budgeted results at an organization level.

NOTES TO THE BALANCE SHEET

1 - Tangible Fixed Assets				
Eur000's		2016	2015	
Opening balance	Tangible fixed assets		206.7	4.5
Investments in fixed assets during the year	Office and facilities	17.4	229.0	
	Ocean plastic research laboratory	-	32.4	
	Ocean plastic research equipment	8.2	47.7	
	Ocean project equipment	252.1		
Total investments in fixed assets			277.7	309.1
Depreciation charge for the year	Office and facilities	(66.6)	(38.9)	
	Ocean plastic research laboratory	(12.1)	(20.3)	
	Ocean plastic research equipment	(8.2)	(47.7)	
	Ocean project equipment	(104.3)		
Total depreciation charge			(191.2)	(106.9)
Reclass due to restructuring	Office and facilities	(96.8)	-	
	Ocean plastic research laboratory	-	-	
	Ocean plastic research equipment	-	-	
	Ocean project equipment	(147.8)	-	
			(244.6)	-
Closing balance			48.5	206.7
Purchase value	Office and facilities	252.0	234.6	
	Ocean plastic research laboratory	32.4	32.4	
	Ocean plastic research equipment	55.9	47.7	
	Ocean project equipment	252.1	-	
Purchase value of tangible fixed assets			592.4	314.7
Accumulated depreciation	Office and facilities	(106.6)	(40.0)	
	Ocean plastic research laboratory	(32.4)	(20.3)	
	Ocean plastic research equipment	(55.9)	(47.7)	
	Ocean project equipment	(104.3)		
Total accumulated depreciation			(299.2)	(108.0)
Reclass due to restructuring	Office and facilities	(96.8)	-	
	Ocean plastic research laboratory	-	-	
	Ocean plastic research equipment	-	-	
	Ocean project equipment	(147.8)	-	
			(244.6)	-
Closing Balance			48.5	206.7

2 - Financial Fixed Assets

Eur000's	2016	2015
Interest in subsidiaries	244.6	-
	244.6	-

In November 2016 there were four new companies created. Several assets from Stichting The Ocean Cleanup were transferred to these companies. The value of these assets at the time of transfer is treated as capital. The Ocean Cleanup Technologies B.V. has an equity position of the same amount.

3 - Current Account Group Companies

Eur000's	2016	2015
Receivables from Group Companies	281.7	-
	281.7	-

In November and December 2016 the four new companies started up operations, but Stichting The Ocean Cleanup paid for these activities since the bank accounts of the companies were not yet operational.

4 - Other Receivables and Accrued Assets

Eur000's	2016	2015
Other Receivables	17.4	12.3
Affiliates	0.3	0.0
Accrued Assets	4.4	13.7
	22.1	25.9

5 - Cash at bank

Eur000's	2016	2015
EUR denominated cash	16,131.1	1,081.1
USD denominated cash	161.6	363.2
	16,292.7	1,444.3

Cash is freely available to the Stichting.

6 - Fund Capital			
Eur000's		2016	2015
General reserve	Opening balance	58.7	58.7
	Allocated results current year	(58.6)	-
Total general reserve		0.1	58.7
		0.1	58.7

7 - Donations received and not yet committed - General accrual			
Eur000's		2016	2015
General accrual	Opening balance	1,403.3	1,679.1
	Donations received	16,761.2	2,760.2
	Used for general projects	(2,280.7)	(3,094.6)
		15,883.8	1,344.7

8 - Donations received and not yet committed - Dedicated accrual			
Eur000's		2016	2015
Office IT Hardware	Opening balance	130.3	-
	Donations received	-	156.4
	Depreciation office IT hardware	(43.9)	(26.1)
Total accrual for future office IT hardware costs		86.5	130.3
Office IT Software	Opening balance	84.7	-
	Donations received	-	101.0
	Spend on office IT software	(23.8)	(16.3)
Total accrual for future office IT software costs		60.9	84.7
North Sea Prototype	Opening balance	-	-
	Donations received	633.5	-
	Spend on North Sea Prototype	(441.9)	-
Total accrual for North Sea Prototype		191.6	-
Recycling	Opening balance	-	-
	Donations received	50.0	-
	Spend on Recycling	(45.9)	-
Total accrual for Recycling		4.1	-
Extraction	Opening balance	-	-
	Donations received	528.6	-
	Spend on Extraction	(163.9)	-
Total accrual for Extraction		364.7	-
		707.7	215.1

9 - Tax and Social Security		
Eur000's	2016	2015
Value added tax	(4.8)	50.4
Payroll tax	(62.3)	(45.3)
Other taxes	-	-
	(67.2)	5.1

10 - Other liabilities and accrued expenses		
Eur000's	2016	2015
Staff holiday allowance	(0.5)	23.1
Accrued expenses	14.5	24.9
Invoices to be received	79.3	7.0
Suspense accounts	46.8	-
	140.2	55.1

NOTES TO THE STATEMENT OF INCOME AND EXPENSES

11 - Movements in accrued liabilities - donations received and not yet committed			
Eur000's		2016	2015
Donations received and not yet committed - general		(14,480.5)	334.4
Donations received and not yet committed - dedicated	Office IT Hardware	43.9	(130.3)
	Office IT Software	23.8	(84.7)
	North Sea Prototype	(191.6)	
	Recycling	(4.1)	
	Extraction	(364.7)	
		(14,973.2)	119.4

12 - Human Resources		
Eur000's	2016	2015
Staff costs payroll	931.1	509.1
Tax and social security payments	137.1	76.1
External staff costs	597.7	403.5
Other HR Costs	69.6	18.4
	1,735.5	1,007.1

13 - Charters of vessels and staff

Eur000's	2016	2015
Charter of vessels and staff	234.8	815.3
Third party payments Expeditions	-	19.9
	234.8	835.2

14 - Third party research, engineering and testing facility costs

Eur000's	2016	2015
Research and testing facility costs	150.6	353.3
Computational modeling	14.1	54.5
Engineering	193.2	39.0
Assembling	51.3	0.7
Maritime legal research	-	6.6
Other outsourced work	8.6	-
	417.8	454.1

15 - Multimedia communications and public relations

Eur000's	2016	2015
Multimedia production	8.2	30.0
Merchandising	0.4	27.3
Printing and graphic design	30.2	17.8
Other public relations and communication costs	113.2	47.3
	152.0	122.4

16 - Depreciation charge

Eur000's	2016	2015
Depreciation charge - office and facilities	66.6	38.9
Depreciation charge - ocean plastic research laboratory	12.1	20.3
Depreciation charge - ocean plastic research equipment	112.5	47.7
	191.2	106.9

17 - Other Project Costs		
Eur000's	2016	2015
Research Equipment	9.9	1.7
Tools and Machinery	0.6	2.4
Rental Equipment	410.1	3.7
Other Project Equipment	2.3	1.0
Materials, components and other project costs	37.3	12.0
Location costs, rent and storage	-	31.1
	460.2	51.9

18 - Financial income and expenses		
Eur000's	2016	2015
Banking charges	6.3	5.8
Interest received	(3.9)	(6.6)
Foreign exchange differences	6.1	(34.1)
Other financial income	27.0	(0.5)
	35.4	(35.4)

19 - Other non-project costs		
Eur000's	2016	2015
Housing	76.2	61.4
IT	154.2	35.1
Insurance, health and safety	41.0	22.7
Consultancy fees	41.8	15.8
Other general costs	26.3	14.2
	339.5	149.2

INDEPENDENT AUDITOR'S REPORT

To the management board and supervisory board of
Stichting The Ocean Cleanup

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2016 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2016 of Stichting The Ocean Cleanup based in Delft.

In our opinion the in the annual report included accompanying financial statements give a true and fair view of the financial position of Stichting The Ocean Cleanup as at 31 December 2016, and of its result for 2016 in accordance with general accepted accounting standards as described in notes to the financial statements.

The financial statements comprise:

1. the balance sheet as at 31 December 2016;
2. the statement of income and expenses 2016; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting The Ocean Cleanup in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the management board's report;
- the supervisory board's report.

ACCOUNTANTS - TAX ADVISERS - MANAGEMENT CONSULTANTS
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MAZARS PAARDEKOOPER HOFFMAN N.V.
WITH ITS REGISTERED OFFICE IN ROTTERDAM (TRADE REGISTER ROTTERDAM NR. 24389296).

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the management board's report and the supervisory board is responsible for the preparation of the supervisory board's report.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF MANAGEMENT BOARD AND SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

The management board is responsible for the preparation and fair presentation of the financial statements in accordance with the generally accepted accounting standards. Furthermore, the board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for the monitoring of the financial reporting process of the foundation.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Rotterdam, 22 June 2017

MAZARS PAARDEKOOPEL HOFFMAN N.V.

Original has been signed by: drs. S. Boomman RA

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