

# ANNUAL REPORT 2018

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THE OCEAN  
**CLEANUP**

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# WELCOME

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2018 was the year we moved the focus of our work to the high seas. For the past five years, The Ocean Cleanup has been designing, testing, modeling, and prototyping its technology to rid the world's oceans of plastic, with the goal of proving its technology. This was the year that we were finally able to put our cleanup method to the test when we deployed System 001 ("Wilson") in the Great Pacific Garbage Patch.

Unsurprisingly, and certainly consequential to our fast and iterative approach, the test provided invaluable insights and positive outcomes, while also providing us with new challenges that must be solved. The design demonstrated its strengths, but some crucial issues regarding the efficacy and structural integrity of System 001 meant we had to return to shore earlier than anticipated.

The launch was not our only highlight of 2018 – in March, following three years of research, our study results on the Great Pacific Garbage Patch were published in the journal *Nature Scientific Reports*. We managed to make this scientific publication a big PR moment that was covered on news channels worldwide, raising recognition of The Ocean Cleanup and awareness for the problem of ocean plastic pollution simultaneously. The findings indicated that the patch contains at least 80,000,000 kg of plastic and that the concentration is increasing exponentially - further establishing the need and urgency for cleanup.

As our initiatives grew, we strengthened our team with new engineers, researchers, scientists and computational modelers. To accommodate the growing team, we relocated our offices from Delft to Rotterdam and improved our support team.

When we reported on 2017, we anticipated the Pacific Trials and the subsequent deployment in the Great Pacific Garbage Patch would take place in 2018. Now, for 2019 we aim for proof of our technology and preparation for scaleup.

Thanks to the strong support from donors and corporate partners, our finances are in good order. We have sufficient cash to cover our immediate plans, and we continue to welcome support to help safeguard our ambitions beyond 2019.



## MISSION AND PLANS

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Trash accumulates in five ocean garbage patches, the largest one being the Great Pacific Garbage Patch, located midway between Hawaii and California. If left to circulate, the plastic will not go away by itself and continue to increase in volume. The large debris can pose entanglement or choking hazards and will continue to fragment into dangerous, smaller (micro)plastics, further impacting the safety of marine life.

The Ocean Cleanup develops advanced technologies to rid the oceans of plastic. Our purpose is to drive the largest ocean cleanup in history by accumulating and removing vast amounts of ocean plastic with a fleet of passive systems. As a Dutch not-for-profit foundation, we are fully funded by external, mainly private contributions, and in 2018 we deployed System 001 in the Great Pacific Garbage Patch, the plastic accumulation zone in the North Pacific Ocean, with plans to scale-up by 2020 once we have proven our technology.

Utilizing natural ocean forces (from wind, waves and currents) which cause a speed difference between the debris and the systems, the aim of our cleanup method is to concentrate the plastic to such a level that we can periodically extract it and return it to shore for recycling. By means of a fleet of approximately sixty passive cleanup systems, we aim to harvest 50% of the Great Pacific Garbage Patch every five years. Once fully deployed in every gyre, we estimate that we can remove 90% of all ocean plastic by 2040.

Having demonstrated the theoretical feasibility of our first concept in 2014 (Feasibility Study), we began executing a series of scale model tests and prototypes, allowing us to go through rapid technology iteration cycles along the way. We have learned a lot by challenging our assumptions and putting our ideas to the test, leading to substantial design improvements.

On September 8, 2018, we launched our first cleanup system into the Great Pacific Garbage Patch. After four months offshore, following a structural failure, we decided to demobilize System 001 and prepare for relaunch of a System 001/B. We will utilize as many of System 001's parts in the upgrade as possible, probably store some, and will recycle any remaining components. The lessons learned from the first deployment will be used to further improve the system design. Once this system is fully operational,

and provided that sufficient funds are available, we are looking forward to the full fleet scale-up, planned for 2020 and beyond.

## IMPORTANCE OF CLEANUP

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According to current scientific consensus, it is estimated that 1.15 to 2.41 million tons of plastic are entering the ocean each year from rivers. Most of that washes back on shore, while some sinks to the seabed near the coast. What is left is taken away by a combination of wind and currents to end up in one of five accumulation zones, known as gyres, which are created by vast, circulating currents in the subtropical zones of our oceans. Once caught in these accumulation zones, the plastic can no longer escape and it is there to stay, impacting ocean health for decades or possibly centuries to come.



One of the biggest, and most visible problems is the threat to the health and safety of marine life who interact with the plastic. Studies have shown that about 700 species (of which 117 are considered threatened) have interacted with marine debris, and 92% of these interactions are with plastic. Every piece of plastic can have detrimental effects on these animals. Large pieces of plastic pose entanglement and choking hazards. It is only a matter of time before the large debris breaks down into smaller and smaller pieces, which are often mistaken for food. At this point in time, just 8% of floating plastic mass in the Great Pacific Garbage Patch is microplastic (diameter <5 mm), while in terms of object count, 94% of the total is represented by microplastics. The amount of these tiny pieces is set to increase more than tenfold if the larger parts are left to degrade. Ingesting these small plastics can leave the animal feeling satiated without actual nutrients, thus leading to malnutrition, starvation and ultimately death.

Most of the plastic in the Great Pacific Garbage Patch has also been found to have chemicals that can be transferred to the animal consuming it, only to pass this toxicity up the food chain, and eventually ending up in human diets – potentially transferring the toxins from the plastic onto the plates of seafood consumers. The plastic pollution causes financial burdens as well: a study by the UN estimates that ocean plastic causes \$13 billion in damage annually to economies worldwide.

There are two ways in which mankind must respond to the exponential growth of plastic accumulation in the oceans. We need to stem the influx of more plastic into ocean waters; but – equally important – to remediate the current negative effects on marine life and subsequently human life. In order to prevent it from breaking down into smaller pieces over time, we must remove as much of the existing plastic stock in the oceans as quickly as possible. Fortunately, we see many initiatives (existing and emerging) that are focusing on, for example, 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.

This is where The Ocean Cleanup wants to help: by developing a safe, scalable and efficient method to remove the plastic from these zones. After years of extensive research and thousands upon thousands of hours of engineering, design and testing, The Ocean Cleanup launched its first cleanup system in 2018 and is aiming for proof of technology in the Pacific Ocean by 2019.



# UNDERSTANDING THE PROBLEM

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At The Ocean Cleanup we believe that you cannot solve a problem if you do not fully understand it. For this reason, we have put extensive efforts into fundamental plastic pollution research since our inception to help guide us to the best set of solutions. This work has continued in parallel to the development and deployment of our cleanup technology.

## **STUDY RESULTS ON THE GREAT PACIFIC GARBAGE PATCH PUBLISHED**

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After three years of work, two major field expeditions (a multi-vessel exploration campaign and an aerial reconnaissance mission), and over one million plastic particles that were hand counted and analyzed in our laboratory, we published our findings on the Great Pacific Garbage Patch in Nature's journal Scientific Reports in March 2018. The results were also presented to the scientific community at the 2018 International Marine Debris Conference in San Diego.

The main findings from this study concluded that there are at least 80 million kg of floating plastic debris of various shapes and sizes in the Great Pacific Garbage Patch, accumulated in an area three times the size of continental France; extending to the periphery of the patch, this amount increases to 100 million kg of the estimated 1.8 trillion pieces of plastic, 92% is made up of objects larger than 0.5 cm.

The publication received extraordinary attention from the media and scientific community. Altmetric ranked the study as the seventh most popular scientific study of 2018 and first of over 12,000 articles of similar age in Scientific Reports. We now use this study as a baseline upon which we can assess the efficiency of our cleanup efforts.

During our 2016 Aerial Expedition, aerial photography in the visible range, or RGB (Red Green Blue) imagery, was useful in detecting large marine debris. However, we found that differentiating plastic objects from sun-glints, wind chops, or other marine debris, such as wood fragments, proved unfeasible using only RGB images. Therefore, we

conducted a series of laboratory experiments to measure the spectral signature of ocean plastics in the shortwave infrared domain.

This research, supported by the European Space Agency and in collaboration with the University of Oldenburg and the University of the Aegean, will be used to produce a spectral library of different types of plastic litter, at various surface concentrations, to define the requirements of future satellite missions for remote sensing of marine litter. We continue to build on our knowledge and capabilities in this field from our initial experience in aerial reconnaissance of an oceanic garbage patch and the subsequent results that were published in the journal Environmental Science and Technology in September 2018.





The manuscript, titled “Sensing ocean plastics with an airborne hyperspectral shortwave infrared imager,” presents a first proof of concept on remote sensing of ocean plastics using airborne shortwave infrared imagery. By deploying drones mounted with several spectral sensors, this new concept was put into practice to monitor System 001, helping us understand local distribution and circulation of debris inside and around the cleanup system.

## QUANTIFYING RIVERINE PLASTIC EMISSIONS INTO THE OCEAN

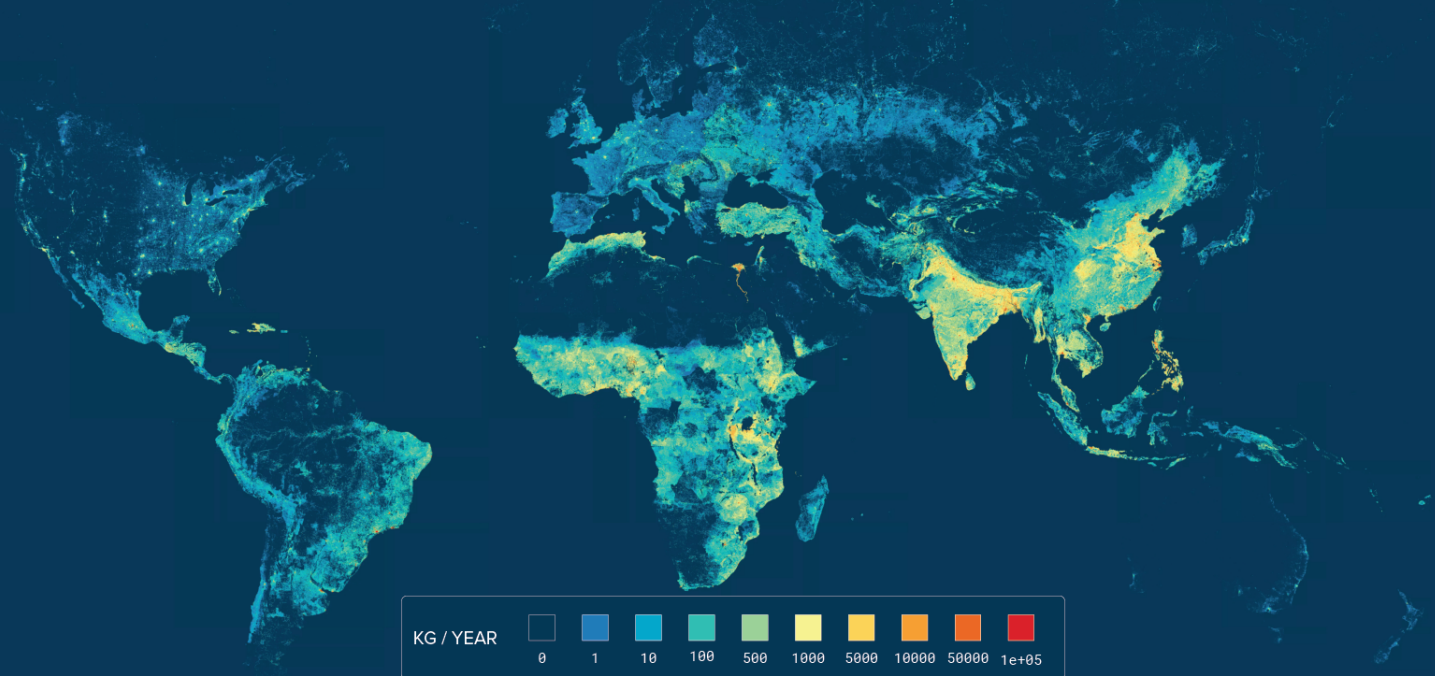
Ridding the world’s oceans of plastic requires that we know how much plastic has accumulated, and that we identify its sources. Rivers are commonly considered the primary source of marine plastic pollution, as they transport waste generated on land into the oceans. To better understand and quantify riverine plastic emissions, we are designing

measurement methods, collecting data around the globe and developing innovative modeling tools.

In October 2018, we published a scientific paper in *Frontiers in Marine Science* that presented a new methodology to quantify riverine plastic transport and composition. In partnership with universities and NGOs, this methodology has been used to collect data in over twenty waterways in eight countries. New data revealed important insights in this field; it was found that in several places plastic emissions into the ocean are even higher than previously estimated.

As a follow-up to the 2017 publication in *Nature Communications* on global riverine plastic emissions into the ocean, the team is improving this model by producing a more precise distribution of mismanaged plastic waste generation on land.

# WHERE MISMANAGED PLASTIC WASTE IS GENERATED



THE OCEAN CLEANUP



## DIVING DEEP INTO PLASTICS

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In our quest to understand the persistency of oceanic garbage patches, we started our own research to contribute to an improved understanding of the mass balance for ocean plastics. Based on our findings of the Great Pacific Garbage Patch, we now understand how much plastic is accumulating at the surface of the ocean; however, the magnitude of concentration is less than what would be expected when looking at the emissions estimates into the ocean – the plastic count doesn't add up.

Possible explanations for this discrepancy between inflow and stock is that some plastic sinks to the seabed or washes onto shore soon after it enters the ocean, and only a fraction of other, buoyant, plastic makes its way to the ocean gyres. This accumulated plastic is expected to slowly degrade into particles that are so small that they can sink into deeper water layers and maybe even end up on the seabed at several thousand meters of depth.

To help close the mass balance, in 2018 we commenced research to understand how much plastic dissipates from the degradation of debris floating at the surface of the accumulation zones; in conjunction with measuring the water column, we also placed a sediment trap on the seabed, to be collected in late 2019. In partnership with The Royal Netherlands Institute for Sea Research (NIOZ), we collected data in the North Atlantic and South Atlantic subtropical accumulation zones and, parallel to System 001 operations, we conducted our own sampling efforts in the North Pacific. The samples from these collections are currently being analyzed in our new laboratory and will be published in 2019, drawing the complete picture of plastic concentration over the entire water column in subtropical latitudes.

# SYSTEM 001

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To remove vast amounts of plastic from the ocean, we aim to deploy a fleet of passive cleanup systems to first corral the plastic before extracting it from the ocean surface. Before we can effectively accomplish this mission, we must start with one cleanup system; System 001. Several years of testing, modeling, prototyping and iterative designs led to our first system, which was launched in September of 2018.

Throughout 2018, we continued testing and prototyping in the Netherlands to further develop our technology, while simultaneously -on the other side of the globe- assembling System 001 in Alameda, California.

## NORTH SEA PROTOTYPE

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Our North Sea Prototype (NSP) test site remained a useful tool to test components of our technology alongside the development of System 001.

In early 2018, we conducted a tow test of the NSP 3A; this new NSP was installed with the screen material that would be used during the 120-meter segment tow test in the Pacific Ocean. We learned that this design would not withstand its expected use. We modified the design to include ballast weights and safety straps and tested this upgrade on the NSP 3B. Throughout 2018, we intermittently monitored and inspected the NSP with aerial inspections, gathering data and knowledge to better understand the limits of survivability of the screen design.





## SCALE MODEL TESTING

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Using the advanced facilities available at MARIN (Maritime Research Institute Netherlands), we conducted scale model tests to better understand the behavior of our screen design while in the water. As we considered the behavior and survivability of the screen to be one of the main risks associated with System 001, we decided to conduct these additional scale model tests, allowing us to measure the stresses and motions of the screen during towing and once deployed.

## ASSEMBLY COMMENCES

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In February, we signed our lease agreement with the City of Alameda for portions of the former Alameda Naval Air Station, a peninsula now known as Alameda Point. In less than five weeks, we progressed from signing the lease to a fully active construction site populated with contractors, engineers, machinery and the many components of the cleanup system finally coming together.

## TOW TEST

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A tow test was conducted in order to analyze the screen behavior under towing conditions and to test the durability of both the screen and the floater. On May 19th, after completing the assembly of a 120-meter section of System 001 - complete with stabilizing pods and other minor components -we towed it along the coast of California for two weeks.

The entire section performed satisfactorily. Of the minor issues that the screen did endure, most had been identified during earlier testing with the NSP 3A; therefore, the final design had already been adjusted according to these findings. The favorable results meant that we could continue assembly of the full system and prepare for launch.

## DEPLOYMENT AND THE PACIFIC TRIALS

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After approximately six months of assembly - and years of testing, computer modeling, prototypes and scale model testing - on September 8th we launched the cleanup system

from Alameda's Seaplane Lagoon. It was a momentous day that included various hospitality events, a multi-camera livestream and a press boat with over 120 journalists on board.

Because scale model testing and computer modelling can only go so far, testing the system in the Pacific was the only way to confirm the functionality of the design. Before undertaking the entire journey to the Great Pacific Garbage Patch, we performed a final dress rehearsal 350 nautical miles from San Francisco Bay, to establish System 001 could meet the following operational requirements:

- U-shape installation
- Sufficient speed through water
- Ability to reorient when wind/wave direction changes
- Effective span in steady state
- No significant damage by the end of the test

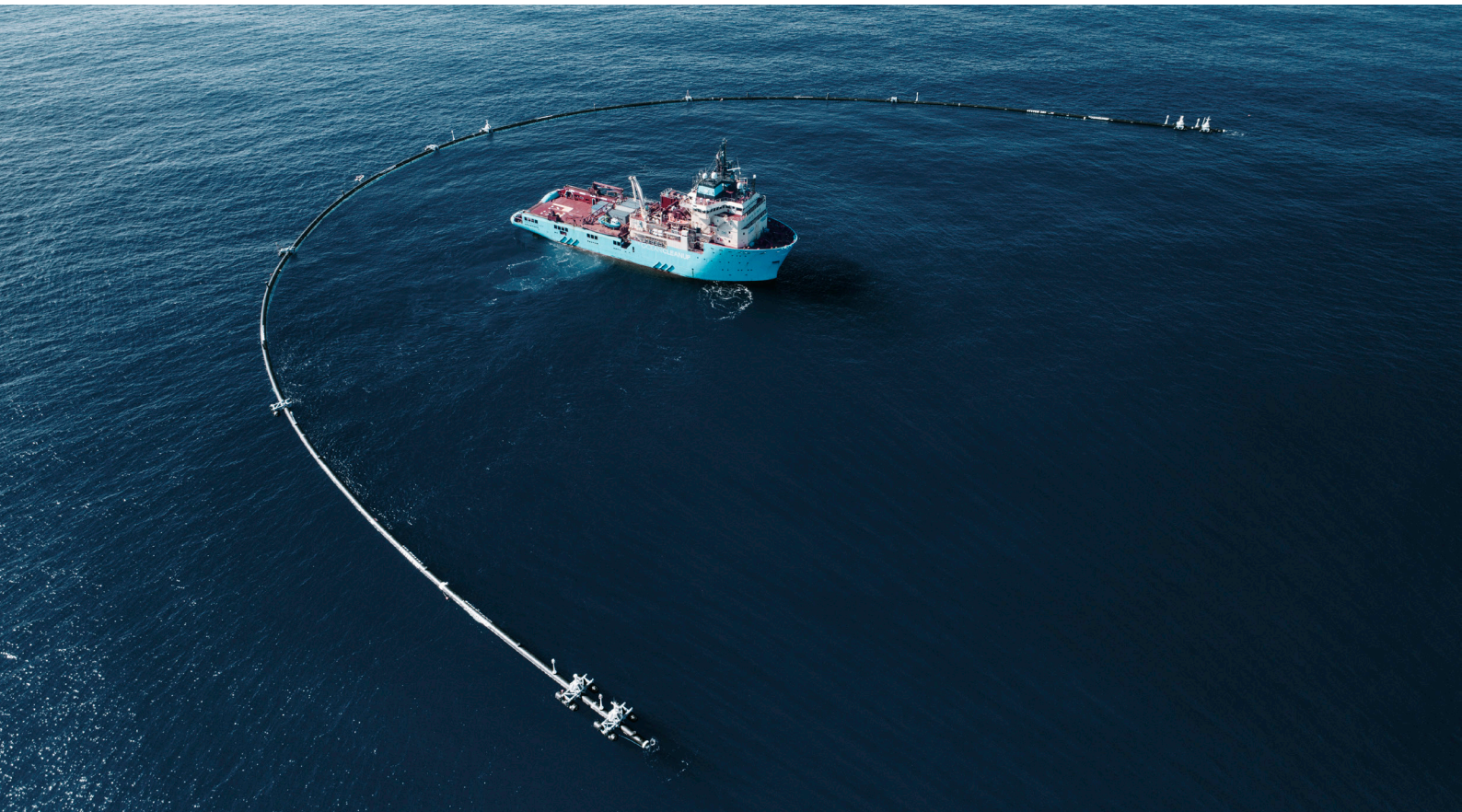
For approximately two weeks, the system underwent rigorous monitoring and testing. All items were checked from the list and the team made the decision to head to the Great Pacific Garbage Patch.

## DEPLOYMENT IN GREAT PACIFIC GARBAGE PATCH

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Following the successful Pacific Trials and a 1200 nautical mile journey, System 001 was deployed in the Great Pacific Garbage Patch, where it operated for approximately 11 weeks. During that time, we confirmed several important aspects of the technology, such as the system's U-shape configuration, its ability to orient with the wind and follow the waves, plastic accumulation and the system's electronics for navigational safety, status monitoring and satellite communication. We also observed no adverse environmental impact, nor any interaction with sea mammals, turtles, birds or other smaller species.

The first issue was reported when we observed the system wasn't effectively retaining plastic, resulting from the system's inability to maintain a sufficient speed through the water. Various tests to gather more information about this issue were undertaken. At the same time, vast amounts of data were being recorded by the system's sensors and the monitoring teams – who observed System 001 during its entire deployment.





## MISSION ONE CONCLUDES

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A few days before the New Year, a structural failure occurred in the 600-meter floater, causing an 18-meter end section to disconnect. The detached section was quickly and safely secured by our offshore crew, who worked closely with the Rotterdam-based engineers to fully understand the system's status and to evaluate the options at hand. Based on this collaborated evaluation of System 001, and factors such as weather forecast, safety at sea, crew rotation, towing distances and the risks and benefits of additional tests, we made the decision to return to port.

## ROOT CAUSE ANALYSIS AND LEARNING OPPORTUNITIES

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Following the conclusion of mission one, the Ocean team spent the next two months analyzing the data accumulated during System 001's deployment to fully seize this learning opportunity and to perform a thorough root cause analysis

of the structural and performance issues observed during the mission. In March 2019 the first major findings were announced. While we like to avoid setbacks, we also realize that successful innovations are usually built on many such 'unscheduled learning opportunities.' During the demobilization of System 001, our engineering team already began working on the re-design and modifications for a System 001/B. We will utilize as many of System 001's parts in the upgrade as possible, probably store some, and will recycle any remaining components. Depending on the material and the availability of facilities and capacity, recycling or repurposing can be taking place on the US West Coast, or even in Europe. Some parts of System 001 will be stored until we are ready to reuse them.



# ADDITIONAL ACTIVITIES

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## RECYCLING

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The recycling initiatives in 2018 began to take shape through the successful testing of recycling methods using materials returned from the 2015 Mega Expedition. For years we have been analyzing the material properties of the catch as well as the technical routes required for recycling it. This year we shifted our focus to what we will do with these expected materials.

Throughout the year, we received the support of many businesses and individuals who wanted to further our recycling plans; bringing with them experience and expertise that have helped us to further shape our plans to recycle ocean plastic.

With the application of various recycling methods, we have sought to verify the commercial feasibility of creating new, durable products out of ocean plastics. Our knowledge in

this area has increased substantially over the year. We are actively investigating the value chain to develop products using material from the Great Pacific Garbage Patch, with the ultimate goal of covering the cleanup's operational cost.

We are prepared for and looking forward to accepting the first batches of plastic once the system is operational in the Pacific.

## EXTRACTION

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By 2040, we aim to reduce the concentration of plastic in the world's oceans by 90%, relative to 2018 levels. To achieve this goal, cleanup must be supplemented with source reduction. As a result, we are investing substantial resources into R&D for technologies that could help prevent plastic from ending up in the oceans. In the 2018 calendar year, multiple beta systems were built to test and research new preventive methods.

# MITIGATING RISK

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The Ocean Cleanup is trying to achieve something that has never been done before. Encountering risk is both logical and unavoidable when pioneering technology of this magnitude, which is why we work throughout the organization to identify and carefully manage all expected risks.

For instance, several contingencies and insurances are in place for planning and financial liabilities, ensuring sufficient funds are available for any key scenarios. Regulatory risk is addressed in cooperation with the Government of the Netherlands and in accordance with UNCLOS (the United Nations Convention for the Law of the Sea) regulations.

## HEALTH AND SAFETY

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Both on- and offshore, all health and safety matters are managed with the utmost concern for our staff, contractors and the environment. We work with renowned parties to review procedures and utilize the necessary trainings for specific tasks when required.

Per project the need to have a Health, Safety, Environment and Quality Plan (HSE&Q) is evaluated. The objectives of an HSE&Q Plan are to ensure the correct attention to health and safety in all activities for a certain project. Towards this goal, the risks involved in design, assembly, transport, installation and operation are identified and managed.

Our Risk Management workflow for System 001 included a formal safety assessment with the use of specialized industry software. In addition, Failure Mode and Effects Analyses were conducted to understand the critical components of our system in more detail and to develop areas of improvement during the detailed engineering and fabrication phase. Multiple Hazard Identification Studies, also known as HAZIDs, were conducted to provide the team with valuable insight and mitigation measures related to the use of all our system activities.

While offshore, we collaborated closely with the vessel owners, management and crews to maintain all safety standards set by both the vessel operators and The Ocean Cleanup. No Lost Time Injuries (LTI) occurred throughout the assembly of System 001 nor during our offshore operations.

## ENVIRONMENTAL IMPACT ASSESSMENT

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Protecting the natural environment is one of the main drivers behind our mission to rid the world's oceans of plastic; this is why we consulted a third party to perform an environmental impact assessment (EIA) for System 001.



An EIA is a study to evaluate the environmental, social and economic impacts a project may have on a range of resources during its life cycle. The EIA is used to identify possible risks and offers mitigation options before the project takes place. Independent environmental consultancy CSA Ocean Sciences performed this analysis for us before we launched System 001 into the Great Pacific Garbage Patch.

The conclusions, which were specified for pre-mitigation scenarios, indicated a low or negligible risk for System 001's implementation in the Great Pacific Garbage Patch. One "Medium" risk was identified; potential attraction of sea turtles to the cleanup system and/or ingestion of plastics due to the concentration near the floating screen. Additionally, CSA developed an Environmental Management Plan (EMP) that was utilized during our offshore operations. An EMP is a guideline for monitoring and mitigating any potential impact on the environment around System 001.





## **DUTCH STATE SUPPORTS THE OCEAN CLEANUP'S HIGH SEAS ACTIVITIES**

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Due to their novel nature, The Ocean Cleanup's systems have no clearly defined status under current international regulations. Thus, a tailor-made agreement between The Ocean Cleanup and the Government of the Netherlands was created to handle matters such as safety of navigation, protection of the marine environment, and the rights of other users of the high seas with respect to our cleanup systems.

Everything covered in the agreement is in accordance to United Nations Convention on the Law of the Sea (UNCLOS), equating it to that of other seagoing vessels. The agreement clarifies the rights and obligations of The Ocean Cleanup towards states and other users of the high seas when operating its systems.



# PUBLIC AFFAIRS AND STAKEHOLDER MANAGEMENT

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As the scale of The Ocean Cleanup's activities grows, so does the need to work effectively with governmental and related organizations.

Preparations continued for the deployment of System 001 with the Government of the Netherlands submitting papers to the International Maritime Organization's (IMO) Marine Environment Protection Committee in April and the Maritime Safety Committee (MSC) in May. The latter document was co-sponsored by Vanuatu, which has played a prominent part in the IMO's increasingly proactive stance towards plastic pollution. Both papers were discussed in a plenary and CEO and Founder Boyan Slat gave a presentation to members of the MSC.

The Ocean Cleanup's governmental and associated network in the United States was maintained during the year through a combination of meetings and regular updates on our work up to and beyond the launch of System 001. The advice and support of US governmental agencies such as the National Oceanographic and Atmospheric Administration (NOAA), the Environmental Protection Agency (EPA) and the US Coast Guard was invaluable. Over the course of the year, more

effective links were established with a range of organizations representing fishing interests in the North Pacific. To further engage with stakeholders, we hosted a roundtable at the Sixth International Marine Debris Conference (IMDC) in San Diego. This roundtable consisted of several experts from The Ocean Cleanup team facilitating conversation with the scientific community and representatives from NGOs participating in the conference.

A particular feature of the ocean gyres is their location on the high seas, outside national jurisdiction. On the other hand, the flow of plastics from rivers into the oceans is very much a national responsibility. Public affairs will be crucial to the future success of cleaning up the legacy problem and preventing more waste from entering the ocean.

We are very grateful for the extensive pro-bono support in legal and public affairs matters from our partners De Brauw in the Netherlands and Latham & Watkins in the U.S.A.



# ORGANIZATIONAL DEVELOPMENT

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In 2018, our organization continued to grow while introducing more structure and professionalism. In doing so, we took special care to retain the innovative culture of The Ocean Cleanup. We feel that we can only realize our ambitions in an environment of freedom and responsibility. To safeguard against any type of misconduct or fraud, we maintain a baseline of standard procedures, guidelines and ethics standards.

## REMUNERATION POLICY

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The remuneration policy for employees (including executive management) considers that all income comes from donations and is benchmarked with that of other nonprofit organizations. Intrinsic motivation to work on this ambitious and meaningful mission is the major factor driving people to join The Ocean Cleanup.

## THE OCEAN CLEANUP MOVES TO ROTTERDAM

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To meet the demands of our expanding team, The Ocean Cleanup relocated offices from Delft to Rotterdam. The space provided by Stichting De Verre Bergen suits our team's size and future ambitions. After five years in Delft, The Ocean Cleanup is grateful for the city's important contributions during our founding years, that includes the hospitality experienced from Delft University of Technology during the very early days of our organization.

## STAFFING AND GOVERNANCE

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Our success depends on working with bright international minds in professions such as engineering, computational modeling, oceanography and marine biology. At the close of 2018 our team consisted of 85 crew members from 16 nations. Of this crew 61 are employees and 24 are interns, students, and contractors. The team represents 74 full-time equivalents. We continue to benefit from the support of motivated and skilled volunteers while expanding our network through engineering partnerships, research institutes and expert professional advisors; new ideas and constructive feedback from outside sources such as these are crucial for the work we do.

The Ocean Cleanup actively collaborates with universities around the world to ensure a high standard of scientific work, including: Delft, Vienna, Wageningen, Miami, Utrecht, Oldenburg, Zurich, Aegean, Can Tho, Ho Chi Minh City and Mānoa. We also seek independent counsel from our

Scientific Advisory Board. Established in 2016, the board is composed of independent external advisors who contribute within their field of expertise to challenge The Ocean Cleanup's designs and strategies.

The foundation has an Executive Director (CEO), Boyan Slat, who leads the three-person management team with Lonneke Holierhoek (COO), and Jos Huijbregts (CFO).

In line with the standard two-tier system in continental Europe, 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.



# FINANCIAL PERFORMANCE

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Donations in 2018 were strong at €22.6 m and exceeded expenses by €3.3 m. The top 21 most generous donors (donations > €50,000) contributed €18.2 m, with the remaining donations (€4.4m, 19%) coming through our website and social media.

Our cash position further improved due to a yet unrecognized reserved donation of €7 m that is conditional upon our agreement to apply extraction technology in Central America on a pay-for-performance basis. As a result, our overall position increased by €11 m to €24.6 m, of which €17.6 m can be freely allocated to projects.

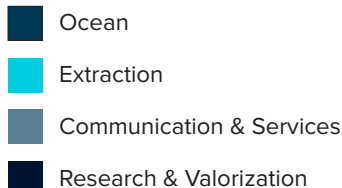
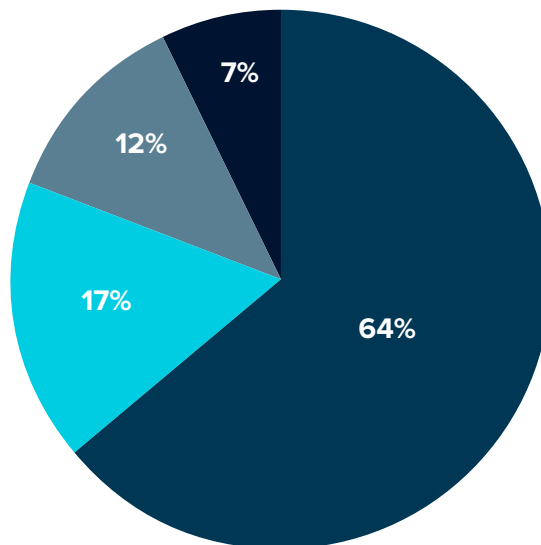
2018 expenses totaled €19.6 m. The majority (€12.5 m, 64%) went to the ocean project – namely, the construction, launch, testing and monitoring of System 001 in the Pacific. Additional spending (€3.4 m, 17%) was incurred on the shipment and installation of prototype extraction technology in Asia and the development of extraction systems for delivery in 2019. The remaining spending (€3.7m, 19%) was shared between ocean- and river research, valorization (our project to create products from ocean-harvested plastic), communications, and general services (i.e. finance, legal, HR, IT and facilities).

Expenses increased by €12.7 m from the previous year, mainly due to operational costs rising from €2 m to €14 m. Operational costs included the purchase of components (for both ocean and extraction systems) at €4.6 m; vessel charters for the ocean project at €3.6 m; outsourced testing and assembly at €3.5 m; and the construction yard, transport, and storage combined at €1.3 m. Spending on staff increased by €0.7 m (17%) to €4.8 m for the year as our team grew by 16% from 64 to 74 FTE.

Expenses for 2019 are strongly dependent on the timing of project starts and durations, but 2019 expenses are anticipated to be slightly lower than 2018 at €18.6 m. Spending on the ocean project will likely reduce as System 001 operations conclude, and because we have opted to prove the technology through a smaller and more modular approach. Spending on our extraction project is likely to be comparable to 2018 figures, as we build a team that

will leverage earlier investments. Spending on valorization will increase as we develop our plans to recycle ocean-harvested plastic, with the aim of marketing and selling the resulting product.

Income for 2019 will likely exceed €16 m. Continued support from all donors, small to big, remains critical to our long-term success.





## THE PLAN FOR 2019

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Launching the first ocean cleanup system has been an insightful learning journey for The Ocean Cleanup. Using the findings from our first mission, in 2019, we will relaunch into the Great Pacific Garbage Patch with the aim of proving our technology.

Because understanding a problem is half the solution, the root cause analysis serves as a crucial foundation for the modifications that we will apply to our technology. The engineering teams are working towards solutions that will be implemented into the technology designs, with the expectation of redeployment around mid-2019. Once System 001/B is in operation and functional, we aim to make the next steps towards scale-up.

Meanwhile, we will further our monitoring and research efforts both offshore and at the source. In addition to these

efforts, we will be studying maritime sources of plastic waste. Further testing of beta-systems to prevent plastic from ending up in the oceans will continue.

The Ocean Cleanup's financial position covers our plans for 2019, and we continue to welcome new funder support to guarantee conclusion of the development phase of our technology, which we intend to follow with an ambitious scale-up in 2020.



## A WORD OF THANKS

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With every milestone, The Ocean Cleanup takes one step closer towards our goal of ridding the oceans of plastic and we remain grateful for the foundation that was laid by our supporters through the initial crowdfunding campaign in 2013. To this day, we remain humbled by the generosity of private donors, corporations and philanthropists who provide us with monetary and in-kind contributions to help us achieve our goals.

This was an exciting year for The Ocean Cleanup and we would like to give a special word of thanks to our major contributors who continually have provided us with incredible support; this would include philanthropists such as Marc and Lynne Benioff; charitable organizations like Adessium Foundation, The IIsababy Foundation, The Bennink Foundation and Julius Baer Foundation; and other

partners including Maersk, Latham & Watkins, Deloitte, De Brauw Blackstone Westbroek, Boskalis, AkzoNobel, DSM, Brabantia, SABIC, TK Maxx, Euromonitor, and the Dutch government. Several prominent and benevolent funders wish to remain anonymous. We respect and admire this and would nonetheless like to formally express our appreciation for their support.

The procurement, assembly and launch of System 001 was a major milestone for The Ocean Cleanup. We would like to offer our thanks to The City of Alameda, Port of San Francisco, the US Coast Guard, the San Francisco Fire Department, Salesforce, Agru, Ecocoast, Seiche, Autonaut, Iridium, Seatools, Power Engineering, Maskell, Deugro, Gard, JLT, Net Systems, Progress Machine, LiveU, Keycode, CFF Communications, Grayling, Shift Communications, RFBinder, BMWi, Rapanui, Musto, GoPro, and every contractor and volunteer who facilitated this momentous milestone.

As always, we extend a special word of thanks to our critics. We value and respect the perspectives they share, as they help us see our work from a different angle and keep our minds sharp. Their input is always first considered to be in the interest of achieving the shared goal of cleaner and safer oceans.

We are also grateful for our many online supporters who spread the word of The Ocean Cleanup by simply liking our pages and sharing our updates.

Finally, and most of all, we would like to thank the many thousands of individuals whose support, financial or otherwise, has helped to create the conditions for a successful cleanup.



# REPORT OF THE SUPERVISORY BOARD

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2018 was an exciting year for the members of the Supervisory Board (“SB”) of The Ocean Cleanup. We shared the team’s joy at their achievements and their concerns when faced with new and unforeseen challenges. The following moments were especially memorable:

- The months prior to the launch of System001 (“Wilson”) on September 8, during which the SB held discussions with Management and the lead engineers regarding the design, purchase and construction of Wilson, while remaining keenly aware that postponement, malfunctioning and/or failure were potential outcomes;
- The launch itself and the first trials 350 nautical miles off the coast of San Francisco: after all the testing in marine testing basins, in the North Sea, and the tow-test in May, this was the first time we witnessed the behavior of the U-shaped, 600-meter barrier in operation;
- Wilson’s three months of tests in the middle the Great Pacific Garbage Patch, during which the SB shared the team’s joy at observing so many aspects on target, but also their disappointment when captured plastic drifted out of the system. We followed the quest to find a solution while working offshore. And we were close to the team when they had to make the painful decision to return to shore just before the turn of the year when Wilson broke and had to be salvaged.

We wish to express our admiration for the ingenuity, devotion and perseverance of all those involved, who worked tirelessly no matter the time, the location, the waves or the wind.

Despite the many useful outcomes from Wilson’s trip – especially the troves of gathered data and lessons learned – the untimely end of the test was not what we had all hoped for. This setback is a cause for self-reflection by the SB, considering that the SB is the best positioned to challenge Management. Could the SB have guided Management towards a smoother path to success? Did we

base our approval to build and test Wilson on an accurate understanding of all the facts? Did we underestimate the complexity and/or were we overconfident? Should we have encouraged Management to offset speed and meticulous preparation in favor of the latter? And if so, would we have been closer to a solution today? Alternatively, were there other paths to testing in the GPGP with a better ratio between spending and knowledge building?

With the benefit of hindsight, it is tempting to wonder if we should have requested more facts or testing before launching the trials in the GPGP. However, it’s important to note that after countless simulations and scale-model tests, there were still many known unknowns before Wilson’s trial. The Ocean Cleanup had reached a point where a real-life test in the GPGP was the surest way to address that issue, and it still seems unlikely that adding more preparatory steps or tests would have added value or improved the process in any way.

Additionally, unknown unknowns were also likely to reveal themselves and have an impact on the tests, as is to be expected in the context of developing new technology. In that sense, The Ocean Cleanup’s trials in the GPGP were almost literally a journey into uncharted waters.

Reflecting on the lessons learned in 2018, the SB supports Management’s latest assessment that the next (2019) tests in the GPGP should be performed with smaller and more modular systems, in order to speed up the cycle of iterations and to gather more knowledge at lesser expense. In doing so, the SB surmises it may have missed an opportunity to highlight this course of action before Wilson’s 600-meter design was decided upon.

We understand that the operations in the GPGP were the eye-catcher for our supporters and followers in 2018. There was, however, a much broader scope of work to be discussed on the six SB meetings during the year. Management kept the SB well informed on issues like environmental impact assessments, health & safety of people, stakeholder management, and the developments regarding extraction, recycling, valorization, research, HR, finance, funding and communications.

Asides from formal meetings, the SB interacts with Management and employees on various occasions and in various settings. The direct and individual contacts generally match the members' respective fields of expertise.

The SB pays close attention to The Ocean Cleanup's communication and PR efforts, as they contribute to The Ocean Cleanup's brand and reputation, and to public awareness of the plastic pollution issue. The SB strongly approves of the fact that Management has been forthright in communicating triumphs but also setbacks in a timely and candid manner.

The SB would like to highlight its endorsement for the marine and plastic research performed at The Ocean Cleanup. It furthers our understanding the problem and helps us to design better solutions to tackle it. By cooperating closely with universities and academics with a shared field of interest, our research-team has gone one step further: their publications have contributed to the public knowledge of the issue of plastic pollution. Two papers were published in 2018 in prime scientific journals. These were accompanied by summaries in layman's terms on [www.theoceancleanup.com](http://www.theoceancleanup.com), with links to the original articles.

Good progress was presented to the SB regarding designs for extraction, leading to an investment to build three beta systems for commissioning in the second half of 2019.

The Ocean Cleanup's office relocated to Rotterdam in June 2018 to accommodate the growing workforce. At the same time, the team's operations expanded to various locations, including the Alameda yard in the San Francisco Bay Area, on board the mission vessels, and at multiple research locations in Southeast Asia. This raised the bar for internal communication and added complexity to the workflow (i.e., legal issues, work permits and visas, safety, etc.). We are grateful for the many advisors, companies and individuals that are willing to help The Ocean Cleanup with pro bono and/or reduced-fee professional support.

Rutger Arisz announced during the last quarter of 2018 that he would step down from the SB, as his other duties (COO of AFC Ajax and chairman of the Royal Dutch Rowing Federation) had grown too demanding to combine with his position at The Ocean Cleanup. Rutger has been a volunteer and SB member since January 2016, and we thank him for his valued contribution.

The SB will continue its work in 2019 in its current formation (the undersigned), supported by Senior Advisor Feike Sijbesma.

The Management team prepared this Annual Report for 2018, including the financial statements, and submitted these to the SB. On 17 June 2019 the SB approved and adopted it.

EY has audited the financial statements and issued an unqualified opinion, as published in this Annual Report.

The objectives of The Ocean Cleanup are extremely ambitious. The oceans are littered with an ever-growing mass of floating plastic. Nobody else has ever tried to systematically clean it up, with good reason: it quite simply is very difficult to do so and requires developing new and autonomous technology capable of withstanding an incredibly harsh environment. It requires a team of highly motivated, smart and creative people to get this done. The SB continues to enjoy interacting with The Ocean Cleanup's crew: we admire how they recover from "unscheduled learning opportunities", dream up new ideas and work vigorously towards the next test. The Ocean Cleanup is steadily getting closer to a solution and aims to conclude 2019 with proven technology.

Finally, we would like to voice a big "Thank You" to 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,

Frederik Gerner  
Evert Greup  
Chris van der Vorm

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# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

<b>Assets</b>				
Eur000's	Note		31 Dec 2018	31 Dec 2017
<b>Fixed Assets</b>	5	Tangible Fixed Assets	802	74
			<b>802</b>	<b>74</b>
<b>Short Term Receivables</b>	6	Debtors	1.694	931
	7	Other receivables and prepayments	518	565
	11	Tax and social security	96	-
			<b>2.309</b>	<b>1.496</b>
<b>Cash</b>	8	Cash at banks	24.646	13.647
			<b>24.646</b>	<b>13.647</b>
<b>Total Assets</b>			<b>27.757</b>	<b>15.217</b>

<b>Liabilities &amp; Reserves</b>				
Eur000's	Note		31 Dec 2018	31 Dec 2017
<b>Reserves</b>	9	General Reserve	17.970	14.701
		Foreign currency translation reserve	19	-
			<b>17.989</b>	<b>14.701</b>
<b>Funds</b>	10	Dedicated funds	-	-
			<b>-</b>	<b>-</b>
<b>Short Term Liabilities</b>		Creditors	1.490	310
	11	Tax and social security	-	33
	12	Other liabilities and accrued expenses	8.279	173
			<b>9.768</b>	<b>516</b>
<b>Total Liabilities &amp; Reserves</b>			<b>27.757</b>	<b>15.217</b>

**CONSOLIDATED STATEMENT OF INCOME  
AND EXPENSES FOR THE YEAR ENDED 31  
DECEMBER 2018**

<b>Income</b>			
<b>Eur000's</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
	Cash donations	22.626	4.778
	Donations in kind	215	179
	Reimbursements and other income	23	100
<b>Total Income</b>		<b>22.864</b>	<b>5.057</b>

<b>Expenses</b>			
<b>Eur000's</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
	13 Human Resources	4.780	4.100
	14 Operational costs	14.022	2.066
	15 General & support costs	711	418
	16 Depreciation	111	267
	17 Financial income and expenses	(30)	98
<b>Total Expenses</b>		<b>19.595</b>	<b>6.949</b>
<b>Result*</b>		<b>3.269</b>	<b>(1.892)</b>

<b>Appropriation of result*</b>			
<b>Eur000's</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
	Addition/(Release)		
	9 General reserve	3.269	(1.184)
	10 Dedicated funds	-	(708)
<b>Result*</b>		<b>3.269</b>	<b>(1.892)</b>

\* The result shown above is not intended to represent an economic gain or loss, but merely reflects a timing difference between income and spending - as the nature of the foundation requires that over time all income will be spent on developing and applying technology to rid the oceans of plastic pollution.

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

<b>Cash flow from operating activities</b>		
<b>Eur000's</b>	<b>2018</b>	<b>2017</b>
Net result	3.269	(1.892)
Adjustments for:		
Depreciation	111	267
	<b>3.380</b>	<b>(1.625)</b>
Movements in working capital:		
Short term receivables	(812)	(1.191)
Current liabilities	9.252	216
	<b>8.440</b>	<b>(975)</b>
<b>Net cash generated from operating activities</b>	<b>11.820</b>	<b>(2.600)</b>
<b>Cash flow from investment activities</b>		
Investments in tangible fixed assets	(840)	(46)
<b>Net cash generated from investment activities</b>	<b>(840)</b>	<b>(46)</b>
<b>Cash flow from financing activities</b>		
Net cash generated from financing activities	-	-
<b>Net cash flows</b>	<b>10.980</b>	<b>(2.646)</b>
<b>Net cash flows</b>		
The movement in cash at banks can be broken down as follows:		
<b>Balance at 1 January</b>	13.647	16.293
Movements during the financial year	10.980	(2.646)
Effect of exchange rate on cash	18	-
<b>Balance as at 31 December</b>	<b>24.646</b>	<b>13.647</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL NOTES

### 1.1 Activities, registered office, legal form and registration number at the chamber of commerce

Stichting The Ocean Cleanup ('the Foundation') was incorporated on February 15, 2013 and has its registered seat in Delft. The Foundation is registered at the Chamber of Commerce under the number 57262632. Stichting The Ocean Cleanup is a non-profit organization and recognized as an ANBI (Algemene Nut Beogende Instelling) by the Dutch Tax Authorities.

The objects of the Foundation are to:

- a. Develop and apply technologies (directly as well as indirectly) to remove plastic pollution
- b. 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;
- c. Increase social awareness of plastic pollution of the marine environment;
- d. Incorporate, participate in any way whatsoever, manage and supervise interests in enterprises, businesses, companies and other legal entities, if and insofar as this is necessary to achieve and promote the objective as mentioned under a., b., and c., and other acts and things which in the broadest sense relate or may be conducive to the aforesaid objects.

The Foundation's financial year coincides with the calendar year.

### 1.2 Consolidation

The consolidated financial information includes the financial information of the Foundation, its group companies and other entities in which it exercises control or whose central management it conducts. Group companies are entities in which the Foundation exercises direct or indirect control based on a shareholding of more than one half of the voting rights, or of which it has the authority to govern otherwise their financial and operating policies. Potential voting rights that can be exercised directly from the balance sheet date are also taken into account.

Group companies and other entities in which the Foundation exercises control or whose central management it conducts are consolidated in full. Participating interests in group equity and group result are disclosed separately.

Intercompany transactions, profits and balances among group companies and other consolidated entities are eliminated, unless these results are realised through transactions with third parties. The accounting policies of group companies and other consolidated entities have been changed where necessary, in order to align them to the prevailing group accounting policies.

The consolidated companies are listed below:

- The Ocean Cleanup Technologies B.V., the Netherlands (100%)
- The Ocean Cleanup Projects B.V., the Netherlands (100%)
- The Ocean Cleanup Interception B.V., the Netherlands (100%)
- The Ocean Cleanup Operations B.V., the Netherlands (100%)
- The Ocean Cleanup North Pacific Foundation, California USA (100%)

The objectives of the consolidated companies are as follows:

- The Ocean Cleanup Technologies B.V. acts as an intermediate holding company in the group and holds the rights to the intellectual property developed for use by the group and IT hardware.
- The Ocean Cleanup Projects B.V. develops and builds the ocean cleaning systems and manages the high sea operations.
- The Ocean Cleanup Interception B.V. provides research and development of apparatus capable of physically extracting and buffering plastic debris from various aquatic ecosystems.
- The Ocean Cleanup Operations B.V. provides the workforce to the group where necessary.
- The Ocean Cleanup North Pacific Foundation is based in the United States of America and is a registered 501(c)(3) non-profit foundation. It obtains funding from the USA and manages the group's onshore operations in the USA.

All consolidated companies are managed by Stichting The Ocean Cleanup's management team.

### 1.3 Accounting policies for the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received are included in cash from operating activities. Transactions not resulting in inflow or outflow of cash, are not recognised in the cash flow statement.

## 2. GENERAL ACCOUNTING POLICIES

---

### 2.1 General

The financial statements are drawn up in accordance with Dutch Generally Accepted Accounting Principles - Standard 640 'Nonprofit organizations'.

Assets and liabilities are generally valued at historical cost. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet, statement of income and expenses and the cash flow statement, references are made to the notes.

### 2.2 Comparison with previous year

The valuation principles and method of determining the result are the same as those used in the previous year. In the current year, the detail of the accounting policy for donations in kind has been elaborated on, however this has not impacted the results of the previous year.

### 2.3 Foreign currency

Items included in the financial statements of group companies are measured using the currency of the primary economic environment in which the respective group company operates (the functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Foundation.

Transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date. Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date.

The translation differences resulting from settlement and conversion are credited or charged to the statement of income and expenses.

Assets and liabilities, income and expenses of consolidated companies with a functional currency different from the presentation currency are translated at the closing rate of exchange prevailing at the balance sheet date. Income and expenses of consolidated companies with a functional currency different from the presentation currency are translated at the average rate of exchange during the reporting period. Any resulting exchange differences are taken directly to the foreign currency translation reserve within the equity reserves.

## 3. ACCOUNTING POLICIES APPLIED TO THE VALUATION OF ASSETS AND LIABILITIES

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### 3.1 Tangible assets

Tangible fixed assets are valued at historical cost or production cost including directly attributable costs, less straight-line depreciation based on the expected future life and impairments.

The useful life of asset categories are as follows:

- Office and office equipment – 3 years (average).
- IT Equipment average – 3 years (average).
- Project equipment average of 3 years (average).

## 3.1 FINANCIAL FIXED ASSETS

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### 3.1.1 Participations

Participations (associates), over which significant influence can be exercised, are valued according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence. The net asset value is calculated in accordance with the accounting principles that apply for these financial statements.

If the valuation of an associate based on the net asset value is negative, it will be stated at nil. If and insofar as the Foundation can be held fully or partially liable for the debts of the associate, or has the firm intention of enabling the participation to settle its debts, a provision is recognised for this.



The amount by which the carrying amount of the associate has changed since the previous financial statements as a result of the net result achieved by the associate is separately recognised in the statement of income and expenses.

### **3.2 Accounts receivable**

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

### **3.3 General reserves and dedicated funds**

The donations received are expected to cover future costs. Donations are deemed to have a dedicated benefit, when they are donated and earmarked to help realize a certain project. These are categorized as dedicated funds. Other donations are for the realization of the mission of the Foundation, and are therefore for general use. The general reserve is at the free disposal of the Foundation.

### **3.4 Current liabilities**

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at amortised cost, being the amount received, taking into account premiums or discounts, less transaction costs.

## **4. PRINCIPLES FOR THE DETERMINATION OF THE RESULT**

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### **4.1 General**

Income and expenses are accounted for on accrual basis.

### **4.2 Income**

The income in the statement of income and expenses are the donations from individuals and organizations. Income is only included when realised on the balance sheet date. For donations this is deemed to be the case either when a binding grant agreement is signed or when cash equivalents have been received.

Grants with a pay-back obligation are recognized as income in the same reporting period in which the subsidised eligible expense is recognised.

Donations in kind are recognised as income and expense in the period they are received, to the extent that the true value of the donation can be reasonably determined. If the true value cannot be reasonably determined and if the goods & services deviate from the quantity or specification

that would have been reasonably obtained in case of no donation in kind, then neither an income nor an expense is recognised.

During the 2018 financial period we received pro-bono support from professional advisory and consultancy firms, free technical consulting and technical support from companies in the offshore and engineering industries, software and software support at reduced rates and free staff recruitment services. The true value could not be reasonably determined or the goods and services deviated from the quantity or specification that would have been reasonably obtained in case of no donation in kind and neither an income or an expense has been recognised for this in kind support.

### **4.3 Human resources**

Employee benefits are charged to the statement of income and expenses in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. The Foundation does not have a pension scheme for its employees.

### **4.4 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.

### **4.5 Research and development expenses**

Costs incurred for research are expensed in the period that they are incurred. Costs related to development of technology are capitalized only after technical and commercial feasibility of the asset for sale or use have been established. If development costs do not meet this criteria, the costs are expensed in the period that they are incurred. In the current financial year no development costs were capitalized as an asset.

### **4.6 Financial income and expenses**

Interest income and expenses consist of interest received from or paid to third parties. Currency translation differences arising upon the settlement or conversion of monetary items are recognised in the statement of income and expenses in the period that they are realized.

#### **4.7 Income taxes and value added taxes fiscal unity**

Stichting The Ocean Cleanup is exempt from Dutch income tax due to its status as an ANBI (Algemene Nut Beogende Instelling). Stichting The Ocean Cleanup's subsidiary companies form a fiscal unity for income tax purposes, which has The Ocean Cleanup Technologies B.V. as the head of the fiscal unity. Stichting The Ocean Cleanup is the head of its fiscal unity for value added taxes, which includes its subsidiary companies which are based in The Netherlands.

#### **4.8 Subsequent events**

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are prepared, are recognised in the financial statements.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

#### **4.9 Budget**

In accordance with RJ 640.204 the Foundation 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 Foundation 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, no comparison of actual results for the financial year to budgeted results at an organization level is provided.

#### **4.10. Going concern**

The financial statements have been prepared on the going concern basis.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

<b>5 - Tangible Fixed Assets</b>			
Eur000's		2018	2017
Opening balance		74	293
Investments in fixed assets during the year	Office and facilities	171	42
	Project Equipment	669	6
<b>Total investments in fixed assets</b>		<b>840</b>	<b>48</b>
Depreciation charge for the year	Office and facilities	(67)	(119)
	Project Equipment	(45)	(147)
<b>Total depreciation charge</b>		<b>(112)</b>	<b>(267)</b>
<b>Closing balance</b>		<b>802</b>	<b>74</b>
Purchase value	Office and facilities	541	294
	Project Equipment	935	346
Purchase value of tangible fixed assets		1.477	640
Accumulated depreciation	Office and facilities	(364)	(226)
	Project Equipment	(311)	(340)
Total accumulated depreciation		(675)	(566)
<b>Closing balance</b>		<b>802</b>	<b>74</b>

Tangible fixed assets are depreciated over their estimated useful life. Office and facilities consists of IT equipment, office improvements and furniture. Project equipment consists of equipment that can be used in research expeditions as well for future assembly of systems.

The average useful life of tangible fixed assets is 3 years.

<b>6 - Debtors</b>			
Eur000's		2018	2017
Receivable from debtors		1.694	931
		<b>1.694</b>	<b>931</b>

All debtors originated in 2018 and are expected to be settled within 6 months of year end. No provision for doubtful debts has been raised at the end of 2018 or in previous years.

<b>7 - Other receivable and Prepayments</b>			
Eur000's		2018	2017
Value Added Tax		496	377
Prepayments and Other receivables		21	188
		<b>518</b>	<b>565</b>

<b>8 - Cash &amp; cash equivalents</b>		
<b>Eur000's</b>	<b>2018</b>	<b>2017</b>
EUR denominated cash	22.783	11.086
USD denominated cash	1.863	2.561
	<b>24.646</b>	<b>13.647</b>

Cash is at the Foundation's free disposal and is held in Euros and US Dollars.

<b>9 - General reserve</b>		
<b>Eur000's</b>	<b>2018</b>	<b>2017</b>
Opening balance	14.701	15.884
Donations received	22.351	4.642
Used for general projects	(19.082)	(5.825)
	<b>17.970</b>	<b>14.701</b>

The general reserve is formed from the surplus of donations received in comparison to expenditure. The general reserve can be used freely in pursuit of the Foundations' mission.

<b>10 - Dedicated Funds</b>		
<b>Eur000's</b>	<b>2018</b>	<b>2017</b>
Opening balance	-	708
Donations received	513	415
Spend on dedicated funds	(513)	(1.123)
Closing balance	-	-

As at 31 December 2018 there are no dedicated funds remaining. All funds received during the year which were earmarked for a certain project, were spent accordingly during the year.

<b>11 - Tax and Social Security</b>		
<b>Eur000's</b>	<b>2018</b>	<b>2017</b>
Social security payable	(96)	33
	<b>(96)</b>	<b>33</b>

A research and development tax credit (WBSO) which decreases Dutch wage taxes payable amounting to €199.830 is included in the social security taxes payable. This tax credit is provided by the Ministry of Economic Affairs and Climate Policy and provides entities with an incentive to invest in research.

## 12 - Other liabilities and accrued expenses

Eur000's	2018	2017
Personnel liabilities	119	74
Accrued expenses	1.160	99
Other payable	7.000	-
	<b>8.279</b>	<b>173</b>

Personnel liabilities relate to the 8 per cent holiday allowance which accrues to employees and is paid out in May 2019.

The other payables balance consists of a yet unrecognized reserved donation of € 7 million that is conditional upon our agreement to apply extraction technology in Central America on a pay-for-performance basis.

## NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

### 13 - Human Resources

Eur000's	2018	2017
Gross salaries	2.831	1.825
Social security expenses	204	272
Staff costs - external contractors	1.559	1.802
Other HR costs	187	200
	<b>4.780</b>	<b>4.100</b>

During 2018, the Foundation and its subsidiaries employed on average 53 staff (49 full time equivalents). The Foundation and its subsidiaries does not contribute to a pension plan on behalf of its employees. A research and development tax credit (WBSO) which decreases Dutch wage taxes payable amounting to €199.830 is included in the social security expenses. This tax credit is provided by the Ministry of Economic Affairs and Climate Policy and provides entities with an incentive to invest in research.

<b>14 - Operational costs</b>		
<b>Eur000's</b>	<b>2018</b>	<b>2017</b>
Transport and storage	669	60
Outsourced work	3.513	1.296
Charter of vessels and staff	3.563	14
Yard and rentals	598	86
Procured materials and system components	4.637	-
Public relations	369	413
Travel and accomodation	478	127
Other specific project costs	194	69
	<b>14.022</b>	<b>2.065</b>

Operational costs increased to €14.022.000 in 2018, (2017: €2.065.000) as we moved from the research phase in to the operational phase, by assembling and deploying System 001 in the Great Pacific Garbage Patch during 2018.

<b>15 - General &amp; support costs</b>		
<b>Eur000's</b>	<b>2018</b>	<b>2017</b>
Housing	189	77
IT	139	162
Insurance, health and safety	160	59
Consultancy fees	123	127
General and administration costs	100	(7)
	<b>711</b>	<b>418</b>

<b>16 - Depreciation</b>		
<b>Eur000's</b>	<b>2018</b>	<b>2017</b>
Office and facilities	67	119
Project equipment	44	147
	<b>111</b>	<b>267</b>

<b>17 - Financial income and expenses</b>		
<b>Eur000's</b>	<b>2018</b>	<b>2017</b>
Banking charges	58	41
Interest received	0	(19)
Foreign exchange differences	(89)	76
	<b>(30)</b>	<b>98</b>

**STICHTING THE OCEAN CLEANUP  
BALANCE SHEET AS AT 31 DECEMBER 2018**

<b>Assets</b>				
<b>Eur000's</b>	<b>Note</b>		<b>2018</b>	<b>2017</b>
<b>Fixed Assets</b>	19	Tangible Fixed Assets	83	2
	20	Financial Fixed Assets	(398)	145
			<b>(315)</b>	<b>147</b>
<b>Short Term Receivables</b>	21	Receivables from group companies	-	301
	22	Debtors	1.694	931
	23	Other Receivables and Accrued Assets	226	75
			<b>1.920</b>	<b>1.307</b>
<b>Cash</b>				
	24	Cash at banks	23.077	13.302
			<b>23.077</b>	<b>13.302</b>
<b>Total Assets</b>			<b>24.682</b>	<b>14.756</b>
<b>Liabilities</b>				
<b>Eur000's</b>	<b>Note</b>		<b>2018</b>	<b>2017</b>
<b>Reserves</b>	25	General Reserve	17.537	14.711
			<b>17.537</b>	<b>14.711</b>
<b>Funds</b>	26	Dedicated funds	-	-
			<b>-</b>	<b>-</b>
<b>Short Term Liabilities</b>		Creditors	55	35
	27	Tax and social security	7	10
	28	Other liabilities and accrued expenses	7.083	-
			<b>7.145</b>	<b>45</b>
<b>Total Liabilities</b>			<b>24.682</b>	<b>14.756</b>

## STICHTING THE OCEAN CLEANUP STATEMENT OF INCOME AND EXPENSES

<b>Income</b>			
<b>Eur000's</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
Share of result of participations	29	(16.870)	(5.849)
Income from operations		19.696	3.968
<b>Result</b>		<b>2.826</b>	<b>(1.881)</b>

<b>Appropriation of result</b>			
<b>Eur000's</b>		<b>2018</b>	<b>2017</b>
Addition/(Release)			
General reserve		2.826	(1.173)
Dedicated funds		-	(708)
<b>Result*</b>		<b>2.826</b>	<b>(1.881)</b>

\* The result shown above is not intended to represent an economic gain or loss, but merely reflects a timing difference between income and spending - as the nature of the foundation requires that over time all income will be spent on developing and applying technology to rid the oceans of plastic pollution.



# NOTES TO COMPANY BALANCE SHEET AND STATEMENT OF INCOME AND EXPENSES

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## 18. GENERAL NOTES

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### 18.1 General

The company financial statements have been prepared in accordance with Standard 640 'Nonprofit organizations' and reported in thousands.

The accounting policies for the company financial statements and the consolidated financial statements are the same. Group companies are stated at net asset value in accordance with note 3.1 to the consolidated financial statements.

In accordance with Titel 9 Boek 2 BW article 2:402, the statement of income and expenses of the Foundation separately discloses the Foundation's income from operations and the share of result of its participations.

For the accounting policies for the company balance sheet and statement of income and expenses, reference is made to the notes to the consolidated balance sheet and statement of income and expenses.

## STICHTING THE OCEAN CLEANUP NOTES TO THE BALANCE SHEET

### 19 - Tangible fixed assets

Eur000's		2018	2017
Opening balance		2	49
Investments in fixed assets during the year	Office and Facilities	93	-
Total investments in fixed assets		93	-
Depreciation charge for the year	Office and Facilities	(11)	(47)
Total depreciation charge		(11)	(47)
<b>Closing balance</b>		<b>83</b>	<b>2</b>
Purchase value	Office and Facilities	176	83
Purchase value of tangible fixed assets		176	83
Accumulated depreciation	Office and Facilities	(93)	(81)
Total accumulated depreciation		(93)	(81)
<b>Closing balance</b>		<b>83</b>	<b>2</b>

Tangible fixed assets are depreciated over their estimated useful life. Office and facilities consists of IT and camera equipment, office improvements and furniture.

The average useful life of tangible fixed assets is 3 years.

### 20 - Financial fixed assets

The financial fixed assets balance relates to the interest the Foundation holds in 100% of The Ocean Cleanup Technologies B.V.'s share capital. Movements in the financial fixed assets balance can be specified as follows:

Eur000's	2018	2017
Opening balance	145	245
Result from participations	(16.870)	(5.849)
Share premium	16.327	5.749
<b>Closing balance</b>	<b>(398)</b>	<b>145</b>

The Foundation has (in) direct interests in the following participations:

Name, registered office	Share in capital as %
<b>Fully Consolidated</b>	
The Ocean Cleanup Technologies B.V., the Netherlands	100
The Ocean Cleanup Projects B.V., the Netherlands *	100
The Ocean Cleanup Interception B.V., the Netherlands *	100
The Ocean Cleanup Operations B.V., the Netherlands *	100

\* Shares are held directly by The Ocean Cleanup Technologies B.V.

<b>21 - Current Account Group Companies</b>		
<b>Eur000's</b>	<b>2018</b>	<b>2017</b>
The Ocean Cleanup Technologies B.V.	-	301
	-	301

<b>22 - Debtors</b>		
<b>Eur000's</b>	<b>2018</b>	<b>2017</b>
Receivable from donors	1.694	931
	<b>1.694</b>	<b>931</b>

All debtors originated in 2018 and are expected to be settled within 6 months of year end. No provision for doubtful debts has been raised.

<b>23 - Other Receivables and Accrued Assets</b>		
<b>Eur000's</b>	<b>2018</b>	<b>2017</b>
Value added tax	212	35
Prepayments and other receivables	14	40
	<b>226</b>	<b>75</b>

<b>24 - Cash at bank</b>		
<b>Eur000's</b>	<b>2018</b>	<b>2017</b>
EUR denominated cash	22.140	10.748
USD denominated cash	937	2.554
	<b>23.077</b>	<b>13.302</b>

Cash is at the Foundation's free disposal and is held in bank accounts in the Netherlands.

<b>25 - General Reserve</b>		
<b>Eur000's</b>	<b>2018</b>	<b>2017</b>
Opening balance	14.711	15.884
Donations received	20.098	4.642
Used for general projects	(17.272)	(5.815)
	<b>17.537</b>	<b>14.711</b>

Reconciliation of the general reserve and result in the consolidated and company financial statements.

The general reserve as at 31 December 2018 and result for the year ended 31 December 2018 in the consolidated and company financial statements can be reconciled as follows:

Eur000's	General reserve		Result
	2018		2018
Company financial statements	17.537		2.826
The Ocean Cleanup North Pacific Foundation	433		442
<b>Consolidated financial statements</b>	<b>17.970</b>		<b>3.268</b>

26 - Dedicated funds			
Eur000's	2018		2017
	Opening balance	-	
Donations received	513		415
Spend on dedicated funds	(513)		(1.123)
			-

27 - Tax and Social Security			
Eur000's	2018		2017
	Social security payable	7	
			10

28 - Other liabilities			
Eur000's	2018		2017
	Accrued liabilities	50	
Current account group companies	33		
Other payables	7.000		
			-

The other payables balance consists of a yet unrecognized reserved donation of €7 million that is conditional upon our agreement to apply extraction technology in Central America on a pay-for-performance basis.

29 - Share of result and participations			
Eur000's	2018		2017
	The Ocean Cleanup Technologies B.V. - Consolidated net loss	16.870	
<b>The Ocean Cleanup Technologies B.V. - Consolidated net loss</b>	<b>16.870</b>		<b>5.849</b>

## Independent auditor's report

To: the Management Board and the Supervisory Board of Stichting The Ocean Cleanup

### Report on the audit of the financial statements 2018 included in the annual report

#### Our opinion

We have audited the financial statements 2018 of Stichting The Ocean Cleanup, based in Delft, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting The Ocean Cleanup as at 31 December 2018 and of its result for 2018 in accordance with the "RJ-Richtlijn 640 Organisaties zonder winststreven" (Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board).

The financial statements comprise:

- The consolidated and company balance sheet as at 31 December 2018;
- The consolidated and company statement of income and expenses for 2018;
- 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 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 report
- The report of the Supervisory Board

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.

The Management Board is responsible for the preparation of the other information, including the Management report in accordance with "RJ-Richtlijn 640 Organisaties zonder winststreven" (Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board).

## Description of responsibilities for the financial statements

### Responsibilities of the Management Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with the "RJ-Richtlijn 640 Organisaties zonder winststreven" (Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board). Furthermore, the Management Board is responsible for such internal control as the Management Board 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 Management Board is responsible for assessing the foundation's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the foundation or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the foundation's ability to continue as a going concern in the financial statements.

### 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 have detected all material errors and fraud.

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 judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- 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 foundation's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board

- Concluding on the appropriateness of the Management Board'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 foundation'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 foundation to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Management Board and 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.

Amsterdam, 17 June 2019

Ernst & Young Accountants LLP

Signed by J. Niewold

THE OCEAN<sup>®</sup>  
**CLEANUP**