UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 20, 2023

Quince Therapeutics, Inc.
(Exact name of registrant as specified in its charter)

Delaware	001-38890	90-1024039
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

611 Gateway Boulevard, Suite 273 South San Francisco, California	94080
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (415) 910-5717

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock (par value $0.001 per share)	QNCX	The Nasdaq Stock Market LLC
Series A Junior Participating Preferred Purchase Rights	N/A	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

EXPLANATORY NOTE

On October 23, 2023, Quince Therapeutics, Inc. (the "Company") filed a Current Report on Form 8-K (the "Original Form 8-K") with the Securities and Exchange Commission (the "SEC") to report the closing of the Company's acquisition of EryDel S.p.A, a company with shares incorporated under the laws of Italy ("EryDel"), pursuant to that certain Stock Purchase Agreement, dated as of July 21, 2023, by and among the Company, EryDel, EryDel Italy, Inc., a Delaware corporation, holders of EryDel capital stock and the managers of EryDel (the "EryDel Shareholders") and Shareholder Representative Services LLC, a Colorado limited liability company solely in its capacity as the representative, agent and attorney-in-fact of the EryDel Shareholders (the "Acquisition").

This Amendment No. 1 to the Current Report on Form 8-K/A (this "Amendment No. 1") amends the Original Form 8-K to provide the historical financial statements of EryDel as required under Item 9.01(a) and the pro forma financial information required under Item 9.01(b) not later than 71 calendar days after the date that the Original Form 8-K was required to be filed with the SEC. The pro forma financial information included in this Amendment No. 1 gives effect to certain pro forma events related to the Acquisition and has been presented for informational purposes only. It does not purport to represent the actual results of operations the Company and EryDel would have achieved had the Company held the assets of EryDel during the periods presented in the pro forma financial information. Moreover, it does not represent or purport to represent the future financial position or operating results of the Company following the Acquisition.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

The historical audited consolidated financial statements of EryDel as of and for the years ended December 31, 2022 and 2021, together with the notes related thereto and the Report of Independent Registered Public Accounting Firm thereon, are filed as Exhibit 99.1 to this Amendment No. 1 and incorporated by reference herein.

The unaudited condensed consolidated financial statements of EryDel as of and for three and nine months ended September 30, 2023 and 2022, together with the unaudited notes related thereto, are filed as Exhibit 99.2 to this Amendment No. 1 and incorporated by reference herein.

(b) Pro Forma Financial Information

The unaudited pro forma condensed combined balance sheet as of September 30, 2023 and unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2023 and the year ended December 31, 2022, together with the notes related thereto, each giving effect to the Acquisition, are included as Exhibit 99.3 to this Amendment No. 1 and are incorporated herein by reference.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of KPMG S.p.A.
99.1	The audited consolidated financial statements of EryDel as of and for the year ended December 31, 2022 and 2021, including the notes related thereto and the audit report thereon of the independent auditors.
99.2	The unaudited condensed consolidated financial statements of EryDel as of and for each of the three and nine months ended September 30, 2023 and 2022, and the notes related thereto.
99.3	The unaudited pro forma condensed combined balance sheet as of September 30, 2023, and unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2023 and year ended December 31, 2022, and the notes related thereto.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

QUINCE THERAPEUTICS, INC.

Date: January 5, 2024

By: /s/ Dirk Thye
Dirk Thye
Chief Executive Officer

Consent of Independent Auditors

We consent to the incorporation by reference in the registration statements (No. 333-237594) on Form S-1 and (No. 333-231307, No. 333-237199, No. 333-253743, No. 333-263186, No. 333-270577 and No. 333-265109) on Form S-8 of Quince Therapeutics, Inc. of our report dated January 4, 2024, with respect to the consolidated financial statements of Erydel S.p.A., which report appears in the Form 8-K/A of Quince Therapeutics, Inc. dated January 5, 2024.

KPMG S.p.A.
Milan, Italy
January 4, 2024

Independent Auditors' Report

To the Board of Directors and Shareholders
Erydel S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Erydel S.p.A. (the Company), which comprise the consolidated balance sheet as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with US generally accepted accounting principles and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date of the consolidated financial statements are authorized for issuance.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

KPMG S.p.A.
Milan, Italy
January 04, 2024

Consolidated Financial Statements

EryDel S.p.A.
As of and for the years ended December 31, 2022 and 2021

EryDel S.p.A.

Consolidated Financial Statements

As of and for the years ended December 31, 2022 and 2021

Contents

Consolidated Financial Statements

EryDel S.p.A.
CONSOLIDATED BALANCE SHEETS
(In Euro, except share and per share data)

	December 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash	€ 1,290,483	4,058,026
Prepaid expenses and other current assets	5,672,517	5,170,063
Total current assets	6,963,000	9,228,089
Non-current assets:		
Property and equipment, net	259,721	353,126
Operating lease right-of-use assets, net	379,447	420,720
Other non-current assets	5,574,237	5,663,961
Total non-current assets	6,213,405	6,437,807
Total assets	**€ 13,176,405**	**15,665,896**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade payables	€ 2,916,523	2,856,398
Debt, current	13,666,826	5,198,560
Accrued expenses and other current liabilities	1,035,246	983,879
Total current liabilities	17,618,595	9,038,837
Non-current liabilities:		
Post-retirement benefit plans	66,859	72,874
Debt, non-current	11,226,326	10,422,735
Other non-current liabilities	715,318	669,668
Total long-term liabilities	12,008,503	11,165,277
Total liabilities	29,627,098	20,204,114
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock, Euro 1.0000 par value: 73,480 shares authorized and 73,480 issued and outstanding as of December 31, 2022 and 2021	73,480	73,480
Senior stock, Euro 1.0025 par value: 1,678,505 shares authorized and 1,678,505 issued and outstanding as of December 31, 2022 and 2021	1,682,662	1,682,662
Additional paid-in capital	58,411,755	57,679,486
Accumulated other comprehensive loss	(149,840)	(29,269)
Accumulated deficit	(76,468,750)	(63,944,577)
Total stockholders' equity	(16,450,693)	(4,538,218)
Total liabilities and stockholders' equity	**€ 13,176,405**	**15,665,896**

See accompanying notes.

EryDel S.p.A.
CONSOLIDATED INCOME STATEMENT
(In Euro)

	Years Ended December 31, 2022	Years Ended December 31, 2021
Operating expenses:		
Research and development expenses	€ (6,841,645)	(13,795,836)
General and administrative expenses	(4,147,347)	(2,903,842)
Operating loss	**(10,988,992)**	**(16,699,678)**
Financial expense, net	(1,522,443)	(620,913)
Foreign currency income	63,932	79,600
Loss before income taxes	**(12,447,503)**	**(17,240,991)**
Income tax expense	(76,670)	(93,118)
Loss for the period	**€(12,524,173)**	**(17,334,109)**

See accompanying notes.

EryDel S.p.A.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)
(In Euro)

	Years Ended December 31, 2022	2021
Loss for the period	€(12,524,173)	(17,334,109)
Other comprehensive income / (loss):		
Gains or losses from post-retirement benefit plans, net of tax	1,554	(3,139)
Foreign currency translation adjustments	(122,124)	(144,670)
Total other comprehensive income / (loss)	(120,570)	(147,809)
Total comprehensive loss	**€(12,644,743)**	**(17,481,917)**

See accompanying notes.

EryDel S.p.A.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY/(DEFICIT)
(In Euro, excluding share data)

	Common Stock		Senior Stock		Additional Paid-in Capital	Accumulated other comprehensive loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of January 1, 2021 (Unaudited)	**73,480**	**€73,480**	**1,678,505**	**€1,682,662**	**56,447,731**	**118,540**	**(46,610,468)**	**11,711,945**
Defined benefit pension plan	—	—	—	—	—	(3,139)	—	(3,139)
Foreign currency translation	—	—	—	—	—	(144,670)	—	(144,670)
Share-based compensation	—	—	—	—	1,231,755	—	—	1,231,755
Net loss	—	—	—	—	—	—	(17,334,109)	(17,334,109)
Balance as of December 31, 2021	**73,480**	**€73,480**	**1,678,505**	**€1,682,662**	**57,679,486**	**(29,269)**	**(63,944,577)**	**(4,538,218)**
Defined benefit pension plan	—	—	—	—	—	1,554	—	1,554
Foreign currency translation	—	—	—	—	—	(122,125)	—	(122,125)
Share-based compensation	—	—	—	—	732,269	—	—	732,269
Net loss	—	—	—	—	—	—	(12,524,173)	(12,524,173)
Balance as of December 31, 2022	**73,480**	**€73,480**	**1,678,505**	**€1,682,662**	**58,411,755**	**(149,840)**	**(76,468,750)**	**(16,450,693)**

See accompanying notes.

EryDel S.p.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Euro)

	Year Ended December 31, 2022	Year Ended December 31, 2021
Cash flows from / (used in) operating activities		
Net loss	**€(12,524,173)**	**(17,334,109)**
Adjustments to reconcile net loss to net cash used in operating activities:		
Post-Retirement benefit obligation	(4,461)	(40,409)
Depreciation expense	145,676	145,879
Share-based compensation	732,268	1,231,755
Non-cash interest expense	718,266	198,560
Other non-cash items	(130,937)	(152,079)
Changes in operating assets and liabilities		
Prepaid expenses and other current assets	(502,454)	1,348,463
Other non-current assets	89,724	(506,418)
Accounts payable	60,125	(418,009)
Accrued expenses	108,698	(180,588)
Other non-current liabilities	46,573	115,807
Net cash used in operating activities	**(11,260,695)**	**(15,591,147)**
Cash flows from / (used in) investing activities		
Purchases of fixed assets	(69,250)	(73,827)
Net cash used in investing activities	**(69,250)**	**(73,827)**
Cash flows from / (used in) financing activities		
Proceeds from bank borrowings	803,591	10,422,735
Proceeds from notes payables	7,750,000	5,000,000
Net cash from financing activities	**8,553,591**	**15,422,735**
Effect of exchange rate changes on cash	8,811	7,410
Net increase / (decrease) in cash and cash equivalents	**(2,767,543)**	**(234,829)**
Cash and cash equivalents at beginning of period	4,058,026	4,292,855
Cash and cash equivalents at end of period	1,290,483	4,058,026
Supplemental disclosures of non-cash information:		
Right-of-use assets obtained in exchange for new operating lease liabilities	16,979	2,242

See accompanying notes.

1. Description of Business

EryDel S.p.A. (hereinafter also the "Company" or "EryDel") was incorporated in Italy in 2007 and is headquartered in Bresso (Milan), Italy. EryDel is a clinical stage biopharmaceutical company focused on developing and commercializing specialized therapies for the treatment of rare diseases by using the patient's own blood (Red Cell Loader). In May 2018, the Company established a wholly owned subsidiary ("EryDel US") in the State of New Jersey, USA, for the commercialization of its specialized therapies in the US, upon obtaining the relevant approvals from both the European and US regulatory authorities.

EryDel's proprietary platform technology is an easy to use, fast and automatic bedside procedure, to encapsulate small and large molecules including therapeutic enzymes in patients' red blood cells. The cells are immediately re-infused into the patients providing prolonged half-life in circulation, reduced immunogenicity, better tolerability and predictable vascular distribution. EryDel's technology consists of a specialized system (Red Cell Loader), a sterile single use kit (the "EryKit") and process solutions.

Fiscal Year

The Company's fiscal year ends on December 31. References to fiscal 2022, for example, refer to the year ended December 31, 2022.

Basis of Presentation

These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

All figures presented are in Euro, unless otherwise stated.

Going Concern

The valuation of the financial statement going concern was carried out considering the Company as an economic complex operating for an estimated period of at least 12 months from the date of this balance sheet. The Company has incurred recurring losses and negative cash flows from operations since its inception and has primarily funded these losses through proceeds from capital contributions and issuance of debt instruments.

The Board of Directors assessed the existence of going concern of the Company, taking into account multiple factors, such as: (i) the Company's cash at December 31, 2022 which, is € 1,290,483, (ii) the additional investment loan agreement, paid by the shareholders during 2023; and (iii) the stock purchase agreement entered into by the Company and Quince Therapeutics, Inc ("Quince") on July 21, 2023, as described below.

On October 20, 2023, Quince completed the acquisition of the Company. This acquisition will provide the required resources to support operations and execute the Company's business plan. In particular, Quince will provide support to the Company in meeting its financial obligations as well as the financial means to continue the development of EryDex, a Phase 3 therapy for the rare disease Ataxia-Telangiectasia (A-T), for which currently there is no cure in the market. In this respect, as further described in Note 13 Subsequent Events, Quince has agreed to guarantee the financial obligations of EryDel in respect of the outstanding EIB Loan and provided the Company with cash of Euro 0.9 million ($1.0 million) as a promissory note. With regards to its financial position, Quince cash, cash equivalents and short-term investments amount to $83.2 million as of September 30, 2023 (approx. Euro 78.5 million), sufficient to fund the anticipated clinical and development activities related to EryDex, through a single Phase 3 NEAT trial, and a potential NDA submission to the FDA, assuming positive results, into at least 2026.

In accordance with Accounting Standards Update, or "ASU", No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, based on the above assumptions, management expects that it will have the financial support needed to fund its forecasted operating expenses and capital expenditure requirements for at least the next twelve months. Accordingly, the consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of EryDel S.p.A. and its wholly owned subsidiary EryDel US. All intercompany balances and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates used in the Company's consolidated financial statements relate to the determination of the fair value of stock-based awards, including stock-based compensation expense and related assumptions, the incremental borrowing rate used for leases, unrecognized tax benefits, the valuation allowance for deferred tax assets, the assessment of impairment indicators for intangible and tangible assets and the valuation of embedded derivatives included within the Investment Agreement Loan. The Company bases its estimates on historical experience and on various other market specific and other relevant assumptions that it believes to be probable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the Company's estimates and assumptions.

Foreign Currency Translation and Transactions

The Company uses the Euro as the reporting currency for the purposes preparing its consolidated financial statements. The functional currency of the Company's wholly owned subsidiary is the U.S. Dollar. Its financial results and financial position are translated into Euro using exchange rates at balance sheet dates for assets and liabilities and using average exchange rates during the period for income and expenses. The resulting translation differences are presented as a separate component of accumulated other comprehensive loss, as a separate component of equity.

Foreign currency transactions are translated into the functional currencies using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the re-measurement of monetary assets and liabilities denominated in foreign currencies using exchange rates at balance sheet date and non-monetary assets and liabilities using historical exchange rates, are recognized in the consolidated statements of operations.

Research and Development Expenses

Research and development expenses are expensed as incurred. Research and development expenses consist of costs incurred in performing research and development activities, including salaries, share-based compensation and benefits, facility costs and costs for external vendors and consultants engaged to conduct clinical development activities and clinical trials, (e.g., contract research organizations ("CROs"), as well as costs to develop a manufacturing processes, perform analytical testing and manufacture clinical trial materials, (e.g., contract manufacturing organizations ("CMOs"). Non-refundable prepayments for goods or services that will be used or rendered for future research and development activities are recorded as prepaid expenses. Such amounts are recognized as an expense as the goods are delivered or the related services are performed, or until it is no longer expected that the goods will be delivered, or the services rendered. In addition, funding from research grants, if any, is recognized as an offset to research and development expense based on costs incurred on the research program.

Research and development expenses refer to costs incurred by the Company for the development of therapies in connection with the Red Cell Loader technology: ATTeST and OLE-IEDAT. Research and development expenses are recorded net of governmental grants received. In particular, grants received are recorded on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Company complies with the related requirements.

The Company received grants in the form of R&D tax credits during the year 2021 and 2022. In line with the legislation in force as of December 31, 2022, companies in Italy that invest in eligible research and development activities, regardless of the legal form and economic sector in which they operate, can benefit from a R&D tax credit. Such tax credits are assessed based on the level of incurred eligible research and development expenses. The tax credits can be only used to offset payments of certain taxes and contributions (e.g., social contributions, VAT payables, registration fees, income and withholding taxes and all other tax-related items that companies usually pay monthly). For eligible research and development activities, the tax credits were equal to 20% of the costs incurred in fiscal years 2022 and 2021, with a maximum annual amount of Euro 4 million. Expenses incurred by the Company in fiscal years 2022 and 2021 generated a total tax credit amounting to Euro 1,030,461 and Euro 1,813,304, respectively.

In November 2015, the Company received a notification for a grant related to the project European Horizon 2020 (Call PHC14 "New therapies for rare diseases") for a total amount of Euro 4,331,575. In fiscal year 2022, an installment was recognized for a total amount of Euro 350,662.

Grants recorded within research and development expenses also include the grant obtained in 2021 in connection with the "Drug Delivery System" project provided by Invitalia as part of the "Brevetti +" program, as per the Mise program for the development of patents and innovative projects by SMEs (application submitted by the Company on January 31, 2020). The total grant recorded in fiscal years 2022 and 2021 in connection with the above program amounted to Euro 0 and Euro 39,032, respectively.

General and Administrative Expenses

General and administrative expenses consist primarily of employee costs including salaries, benefits, stock-based compensation and other related employee costs, and related expenses for executive management, finance, accounting, human capital, legal and other administrative functions, as well as professional fees, overhead, including allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense related to general purpose equipment and software, and expenses incurred for other general corporate purposes.

Cash

The cash balance entirely relates to cash on hand held in checking and deposit accounts. Cash as of December 31, 2022 and 2021 amounted to Euro 1,290,483 and Euro 4,058,026, respectively. There are no restrictions as to the use of the cash on hand held by the Company.

Property and Equipment, Net

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation expense is recognized using the straight-line method over the estimated useful lives of the respective assets. Depreciation begins at the time the asset is placed in service. Maintenance and repairs are charged to expense as incurred, and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the balance sheet and any resulting gain or loss is reflected in operations in the period realized.

The useful lives of property and equipment are as follows:

• Computer equipment	5 years
• Lab equipment	from 2.5 to 5 years
• Leasehold improvement	Shorter of estimated useful life or lease term
• Office furniture	from 4 to 5 years

Impairment of Long-Lived Assets

The Company continually monitors events and changes in circumstances that could indicate that carrying amounts of its long-lived assets, including property and equipment that may not be recoverable. When such events or changes in circumstances occur, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through their undiscounted expected future cash flows. If the future undiscounted cash flows are less than the carrying amount of these assets, then an impairment charge is recognized as the amount by which the carrying amount exceeds the undiscounted cash flows. There have been no impairment charges recorded during the years ended December 31, 2022 and 2021.

Patent costs

The Company has no historical data to support a probable future economic benefit for the arising patent applications, filing and prosecution costs. Therefore, patent costs are expensed as incurred.

Leases

The Company determines if an arrangement includes a lease at inception of the contract. There are no finance leases recorded at December 31, 2022 and 2021. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset during the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The right-of-use assets include any lease payments made and exclude lease incentives. Incremental borrowing rate is used in determining the present value of future payments. The Company applies a portfolio approach to the property leases to apply an incremental borrowing rate to leases with similar lease terms. The lease terms may include options to extend or terminate the lease. The Company recognizes the options to extend the lease as part of the right-of-use lease assets and lease liabilities only if it is reasonably certain that the option would be exercised. Lease expense for minimum lease payments is recognized on a straight-line basis over the non-cancelable lease term.

In 2021 and 2022, the Company has entered into various operating lease agreements related to: technology equipment, office spaces, server storage and company vehicles. The contracts expire over the next seven years.

Stock-Based Compensation

All stock-based compensation granted to employees is measured at the grant date fair value of the award and recognized as an expense in the income statement over the requisite service period, which is generally the vesting period. The Company estimates the fair value of stock options using the Black-Scholes option-pricing model. Compensation expense is recognized using the straight-line method net of estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeiture differs from those estimated. Refer to *Stock-based Awards to Employees* within Note 9 – Stockholders' Equity for further discussion of assumptions used to estimate the fair value of stock-based awards.

The Company accounts for equity awards issued to non-employees, such as consultants, based on the fair value of the award, using the Black-Scholes option-pricing model.

Income Taxes

Income taxes are computed using the liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement carrying amount and the tax bases of assets and liabilities, and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled.

The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. In assessing the need for a valuation allowance, the Company has considered its historical levels of income/(loss), expectations of future taxable income and tax planning strategies. Because of the uncertainty of the realization of the deferred tax assets, the Company has recorded a valuation allowance against its deferred tax assets not supported by reversing taxable temporary differences. Realization of its deferred tax assets is dependent primarily upon future Italian taxable income.

The Company, whenever required, accounts for unrecognized tax benefits. The Company assesses all material positions taken in any income tax return in all tax years that are still subject to assessment or challenge by relevant taxing authorities. Assessing a tax position begins with the initial determination of the position's sustainability and its financial statement effects are only recognized if the tax position is more likely than not to be sustained. A recognized tax position is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. As of each balance sheet date, unresolved tax positions must be reassessed, and the Company will determine whether (i) the factors underlying the sustainability assertion have changed and (ii) the amount of the recognized tax benefit is still appropriate. The recognition and measurement of tax benefits requires significant judgment. Judgments concerning the recognition and measurement of a tax benefit might change as new information becomes available. The Company presents any penalties and interest expense related to income taxes as a component of income tax expense.

Employee Benefit Plans

The Company has defined benefit plans, regulated by the Italian laws in which the Company's employees participate in. The benefits due to employees under the defined benefit plans are calculated based on the employee compensation and the duration of the employment relationship and are paid to the employee upon termination of the employment relationship or retirement. The costs of the defined benefit plans reported in the Company's consolidated statements of operations is determined by an actuarial calculation performed on an annual basis. The actuarial valuation is performed using the "Projected Unit Credit Method" based on the employees' expected date of separation or retirement.

Recent Accounting Pronouncements Not Yet Adopted

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. This ASU amends the guidance on convertible instruments and the derivatives scope exception for contracts in an entity's own equity and improves and amends the related EPS guidance for both Subtopics. The ASU will be effective for annual reporting periods after December 15, 2023 and interim periods within those annual periods and early adoption is permitted in fiscal periods ending after December 15, 2020. Upon implementation, the Company may use either a modified retrospective or full retrospective method of adoption. The Company is evaluating the impact of adopting the new ASU.

3. Fair Value Measurements

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which to transact and the market-based risk. Fair value is determined based on quoted market rates when observable or utilizing data points that are observable, such as quoted prices, interest rates and yield curves. Whenever required, the Company applies fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The carrying amounts reported in the consolidated financial statements approximate the fair value for cash, accounts receivable, accounts payable, and accrued expenses and other current liabilities, due to their short-term nature.

Inputs used to determine the fair value of assets and liabilities are defined be a three-level hierarchy, depending on the nature of those inputs. The Company has categorized its financial assets and liabilities measured at fair value within this hierarchy based on whether the inputs to the valuation technique are observable or unobservable. An unobservable input is based on market data obtained from independent sources, while an unobservable input reflects the company's assumptions adopt market data.

The fair value of the Company's financial instruments reflects the amounts that the company estimates would receive in connection with the sale of an asset or pay in connection with the transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). The Company discloses and recognizes the fair value of the assets and liabilities using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;
- Level 2: Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs in markets that are not considered to be active;
- Level 3: Inputs that are unobservable. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability. The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period. There were no transfers within the hierarchy during the years ended December 31, 2022 and 2021.

There are no financial assets subject to fair value measurements on a recurring basis as of December 31, 2022 and 2021.

The embedded derivatives included within the Investment Agreement Loan (as further described in Note 6 below) are classified within Level 3 as they are valued using the Monte Carlo option pricing model, for which some inputs are unobservable in the market.

4. Financial Statement Components

Prepaid expenses and other current assets consisted of the following:

	December 31, 2022	December 31, 2021
Credit for tax other than income tax	€ 621	€ 2,385
VAT receivables	2,829,976	1,821,732
Research and development tax credits, current	1,200,000	1,206,000
Other current assets	31,548	45,292
Advance payments to suppliers	1,558,435	2,020,986
Prepaid expenses	48,941	73,668
Receivables from insurance companies	2,996	—
Total prepaid expenses and other current assets	**€5,672,517**	**€5,170,063**

Other non-current assets consisted of the following:

	December 31, 2022	December 31, 2021
Research and development tax credits, non-current	5,570,981	5,660,704
Other non-current assets	3,257	3,257
Total other non-current assets	€5,574,238	€5,663,961

The Company's research and development tax credits available to be used is Euro 6,770,981 at December 31, 2022, and Euro 6,866,704 at December 31, 2021. The tax credits can be carried forward indefinitely and do not expire.

In fiscal year 2022, the Company utilized Euro 1,126,184 of available tax credits to offset certain social contributions and tax payables, while during fiscal year 2021, the Company utilized Euro 1,210,799 of available tax credits to offset certain social contributions and tax payables.

Property and equipment, consisted of the following:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Computer equipment	€ 185,934	€ 154,121
Lab equipment	1,196,577	1,178,757
Office furniture	233,887	233,887
Leasehold improvements	57,704	57,704
Total property and equipment, gross	1,674,102	1,624,468
Computer equipment	(148,551)	(121,438)
Lab equipment	(1,077,511)	(1,000,616)
Office furniture	(143,884)	(115,132)
Leasehold improvements	(44,434)	(34,155)
Less: Accumulated depreciation and amortization	(1,414,380)	(1,271,342)
Total property and equipment, net	€ 259,721	€ 353,126

Depreciation expense for property and equipment was Euro 145,676 and Euro 145,879 for the years ended December 31, 2022 and 2021, respectively.

Accrued expenses and other current liabilities consisted of the following:

	December 31, 2022	December 31, 2021
Payables for social security	€ 93,412	€ 92,038
Pension contribution payables	33,747	29,153
Accrued payroll	669,867	637,421
Accrued expenses	—	75,207
Credit card debit	1,856	3,348
Other payables	172,897	90,874
Lease liability	63,467	55,838
Total accrued expenses and other current liabilities	€1,035,246	€983,879

Payables for social security refer to amounts due to social security and employees withholding tax.

Accrued payroll refers to accruals for year-end bonuses, accrued vacations and extra-hours including social security charges, to be paid to employees.

Accrued expenses refer to invoices to be received from vendors for services performed and not yet billed.

5. Leases

The Company presents the right-of-use assets acquired via operating leases as part of non-current assets and its lease liabilities are included in the current and non-current financial liabilities. There are no finance leases recorded at December 31, 2022 and 2021.

As the Company's leases do not generally provide an implicit interest rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company's lease agreements may have lease and non-lease components, which the Company accounts for as a single lease component. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term and variable payments are recognized in the period they are incurred. The Company's lease agreements do not contain any residual value guarantees, and leases with an initial term of 12 months or less are not recorded on the balance sheet.

The components of the lease expense recorded in the consolidated income statement were entirely related to operating lease cost of Euro 89,911 and Euro 86,188, for the years ended December 31, 2022 and 2021, respectively.

Supplemental balance sheet information related to leases is as follows:

	Years Ended December 31, 2022	2021
Assets:		
Operating lease asset	€ 379,447	420,720
Total Leased Assets	€ 379,447	420,720
Liabilities:		
Current		
Operating	€ 63,466	58,838
Long-term		
Operating	€ 315,980	364,882
Total lease liabilities	€ 379,446	420,720

Supplemental cash flow and other information related to leases is as follows:

	Years Ended December 31, 2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	€ (89,911)	(86,188)
Weighted average remaining lease term (in years):		
Operating leases	6.2	7.1
Weighted average discount rate:		
Operating leases	7.97%	7.88%

Maturities of lease liabilities are as follows:

	As of December 31, 2022	
	Operating leases	Total
2023	€ 90,904	€ 90,904
2024	€ 80,386	€ 80,386
2025	€ 73,007	€ 73,007
2026	€ 70,138	€ 70,138
2027	€ 67,625	€ 67,625
2028 and thereafter	€ 104,583	€ 104,583
Total undiscounted lease payments	€ 486,644	€ 486,644
Present value discount	€ (107,197)	€(107,197)
Present value	€ 379,446	€ 379,446
Lease liability, current	€ 63,466	€ 63,466
Lease liability, long term	€ 315,980	€ 315,980

6. Debt

European Investment Bank Borrowing

As of December 31, 2022 and 2021, the Company had outstanding financing agreements with the European Investment Bank ("EIB") for a total amount of Euro 11,226,326 and Euro 10,422,735, respectively, which were entered into on July 24, 2020 to finance the AT project (the "EIB Loan"). The total maximum financing is Euro 30,000,000, which the Company, at its discretion, can access with the achievement of specific milestones of the AT project. The first tranche (Tranche A) of Euro 3,000,000 was drawn on January 21, 2021, and the second tranche of Euro 7,000,000 (Tranche B) was drawn on August 11, 2021. Interest is accrued at an annual rate equal to 9%. Principal and interest payments are payable at the maturity date, which is 5 years from January 21, 2021 and August 11, 2021, respectively. The Company recorded the EIB Loan as a liability measured at amortized cost.

Interest expense incurred and charged to expense was Euro 803,590 and Euro 422,739 for the years ended December 31, 2022 and 2021, respectively.

In connection with the closing the acquisition of the Company, Quince has agreed to guarantee the obligations of EryDel in respect of the EIB Loan. As of October 20, 2023, Euro 10 million has been disbursed to EryDel. The outstanding principal amount under the EIB Loan will become due and payable at maturity on August 11, 2026 and bears interest at a fixed rate of 9.00% per annum. The EIB Loan may be voluntarily prepaid at any time with at least 60 days' prior notice, subject to a prepayment penalty. Refer to Note 13 Subsequent Events for additional details.

Investment Agreement for Capital Injection

On June 30, 2021, to provide additional funding to the Company in relation to the project aimed at completing the Phase 3 study ATTeST (clinical validation and the regulatory interactions for the treatment of Ataxia Telangiectasia Treatment with the EryDex SysTtem) and pipeline programs (the "Project"), the Founders of the Company entered into an Investment Agreement for Capital Injection for future capital increase with the Investors for a total amount of Euro 5 million (the "Investment Agreement Loan").

The Investment Agreement Loan bears interest at a rate of 8% per annum and has a maturity date of December 31, 2021. Interest is accrued on the outstanding principal until converted. The Company recorded the Investment Agreement Loan as a liability measured at amortized cost. In addition, the Investment Agreement Loan contains a number of embedded features requiring evaluation for bifurcation as derivatives. The Investment Agreement Loan is not subsequently measured at fair value, and therefore, the nature of any embedded features was analyzed to determine whether each feature required bifurcation by both (1) meeting the definition of a derivative and (2) not being considered clearly and closely related to the debt host contract. The following is the list of features identified in the Investment Agreement Loan and considered embedded derivatives that are not clearly and closely related to the Investment Agreement Loan, met the definition of a derivative, and required bifurcation from the Investment Agreement Loan and separate accounting:

- Automatic Conversion upon a Qualified Injection – Upon a qualified injection completed on or before December 31, 2021, outstanding principal amount and any unpaid accrued interest shall automatically convert in whole at a subscription price per share equal to 80% (eight cent) of the price per share of the Qualified Injection.
- Voluntary Conversion upon a Non-Qualified Injection – In the event no Qualified Injection has been made by a lead third party by December 31, 2021, outstanding principal amount and any unpaid accrued interest might convert in whole at a subscription price to be discussed and agreed between the Investors and the Company.

- Automatic Conversion upon a Liquidation Event into class “F” shares—Upon a liquidation event into class “F” shares completed on or before December 31, 2021, outstanding principal amount and any unpaid accrued interest shall automatically convert in whole at a subscription price per share equal to (i) the class “F” subscription price (i.e., Euro 47.30 per share), or if lower (ii) the price per share retained in the Liquidation Event.

The valuation of these features included an assessment of the likelihood of the triggering events. These features have been bifurcated from the debt instrument at issuance and then subsequently marked to fair value through the income statement. The bifurcation of such features then created a discount to the Investment Agreement Loan which has, along with other deferred fees and costs and discounts, been amortized using the effective interest method. These features have an overall value of approximately nil as of June 30, 2021 due to, according to the expected likelihood of the three trigger events previously described, the embedded option would be exercisable at a value closed to the fair market value. As of December 31, 2021, those features had a total nil value.

As part of this Investment Agreement Loan, the Investors and the Company undertook to cause the extraordinary shareholder’s meeting of the Company, by and no later than December 31, 2021, to resolve upon, *inter alia*, the Capital Increase by automatic conversion of the capital injection referred to above. Shareholders later agreed to delay the meeting to resolve the above capital increase Thus, on December 31, 2021, the Investors and the Company entered into an amendment to the Investment Agreement Loan in order to push back the date of the shareholders’ meeting of the Company to resolve upon the above capital increase by and no later than February 28, 2022 (the “First Amendment”). As the amendment was executed at the original maturity date, it was accounted for as if it was a new agreement and the Company bifurcated the above features from the debt instrument at the amendment date and then subsequently marked to fair value through the income statement. The Investment Agreement Loan has been amortized using the effective interest method. These features have an overall value of approximately nil as of December 31, 2021 due to, according to the expected likelihood of the three trigger events previously described, the embedded option would be exercisable at a value closed to the fair market value. As of December 31, 2022, those features had a total nil value.

On February 28, 2022, following the First Amendment, (i) the Investors manifested their interest in making additional investments in the Company, subject to the same terms and conditions regulating the Investment Agreement Loan, in order to further finance and develop the Project, and (ii) the Investors and the Company ascertained that it was adequate to further postpone the shareholders’ meeting for the capital increase and hold a single shareholders’ meeting by and no later than March 31, 2022 to resolve upon the conversion of both the capital injection of Euro 5 million and any additional capital injection subsequently performed by the Investors.

On March 28, 2022, the Investors and the Company entered into a further amendment (the “Second Amendment”) in order to (i) reiterate their willingness to duly perform the Investment Agreement Loan, (ii) make additional investments in the Company to further finance and develop the Project, and (iii) ensure the performance and subscription of the capital increase, by automatic conversion of both the initial capital injection (Euro 5 million) and all additional capital injections to be performed by the Investors, by and no later than December 31, 2022. The addition capital injection made by the Investors as part of this amendment was Euro 4 million. The accounting was the same as described above in relation to the initial capital injection. The features had a total nil value both as of March 28, 2022 and December 31, 2022.

On September 14, 2022, a third amendment was executed by the Company and its Investors to confirm the terms and timing included in the Second Amendment as well as provide the Company with an additional funding of Euro 3.75 million. The accounting was the same as described above in relation to the initial capital injection. The features had a total nil value both as of September 14, 2022 and December 31, 2022.

On December 29, 2022, the Investors and the Company entered into a fourth amendment to the Investment Agreement Loan in order to push back the date of the shareholders’ meeting of the Company to resolve upon the above capital increases by and no later than March 31, 2023 (the “Fourth Amendment”). The accounting was the same as described above in relation to the initial capital injection. The features had a total nil value both as of December 29, 2022 and December 31, 2022.

As of December 31, 2022 and 2021, the total Investment Agreement Loan amounted to Euro 13,666,826 and Euro 5,198,560, respectively, which includes Euro 718,266 and Euro 198,560 of accrued interest.

On February 17, 2023, the Company entered into an additional amendment. On September 7, 2023, the Shareholders of the Company approved, among others, the conversion of the outstanding Investment Agreement Loan including any accrued interests to date into Stockholders’ equity. Refer to paragraph 13 for further information.

7. Post-Retirement Benefit Plans

The Company sponsors a defined benefit plan in which the Company’s Italian employees participate. Total costs of the defined benefit plan for the years ended December 31, 2022 and 2021 was Euro 6,878 and Euro 14,146, respectively.

Changes in obligations of the defined benefit plans are as follows:

	December 31, 2022	December 31, 2021
Benefit obligation at the beginning of the period	€ 72,874	€110,144
Service cost	7,867	10,754
Interest cost	565	253
Actuarial loss (gain)	(1,554)	3,139
Benefit paid	(12,892)	(51,415)
Benefit obligation at the end of the period	€ 66,859	€ 72,874
Of which:		
Current	€ —	€ —
Long-term	€ 66,859	€ 72,874

There are no plan assets servicing the defined benefit plans.

The assumptions used to determine the benefit obligations at year-end are as follows:

	December 31, 2022	December 31, 2021
Discount rate (1)	3.63%	0.85%
Inflation rate	2.30%	2.00%
Future salary increase	3.00%	3.00%
Withdraw rate	15.00%	15.00%

(1) The discount rate is based on Iboxx Corp Index based on the duration of the plan (9 years).

8. Commitments and Contingencies

Commitments

The Company has entered into clinical development contracts with external subcontractors. The Company compensates its suppliers for the services provided on a regular basis. The Company shall not incur material penalty fees for the termination of any of such contracts.

Legal Matters

From time to time, the Company may become involved in claims and other legal matters arising in the ordinary course of business. The Company investigates these claims as they arise. Although claims are inherently unpredictable, the Company currently is not aware of any matters that may have a material adverse effect on the business, financial position, results of operations or cash flows.

9. Stockholders' Equity/(Deficit)

Common Stock

As of December 31, 2022 and 2021, the subscribed share capital was equal to Euro 1,756,142, divided into 73,480 ordinary shares (Class A) with par value equal to Euro 1.00, and 1,678,505 senior stock with a par value equal to Euro 1.0025.

Senior Stock

The following table summarizes senior stock ("Senior Stock") authorized and issued and outstanding as of December 31, 2022 and 2021:

	Share Authorized	Shares issued and outstanding	Original issue price	Issuance costs	Net proceeds	Aggregate liquidation preference
Class B	133,485	133,485	40.45	—	5,399,906	5,399,906
Class C	150,031	150,031	42.72	—	6,410,006	6,410,006
Class D	334,734	334,734	43.59	—	14,590,033	14,590,033
Class E	616,279	616,279	43.00	—	26,500,040	26,500,040
Class F	443,976	443,976	47.30	—	21,000,064	21,000,064
	1,678,505	1,678,505		—	73,900,048	73,900,048

The holders of the Company's Senior Stock have the following rights, preferences and privileges:

Redemption – The senior stock is not redeemable at the option of the holder.

Dividend Rights – The holders of Senior Stock (Class F, Class E, Class D and Class C) shall be entitled to receive a dividend per share, pari passu, and prior and in preference to any dividend on Common Stock, equal to the original issue price for such series of Senior Stock, plus an interest at a rate of 6% per annum. Class B is entitled to receive an amount equal to the original issue price for such series of Senior Stock. The dividend is distributed to the holders of Senior Stock by decreasing order of priority, starting from Class F. To date, no such dividends have been declared.

Liquidation Preference – In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, the holders of Senior Stock (Class F, Class E, Class D and Class C) shall be entitled to receive, on a pari passu basis, prior and in preference to any distribution from the proceeds of the liquidation event of the Company to the holders of the Common Stock by reason of their ownership thereof, an amount per share equal to the original issue price for such series of Senior Stock, plus an interest at a rate of 6% per annum. Class B is entitled to receive an amount per share equal to the original issue price for such series of Senior Stock. The distribution is allocated to the holders of Senior Stock by decreasing order of priority, starting from Class F. The remaining funds are distributed to common shareholders.

Voting Rights – The holders of Senior Stock are entitled to vote on all matters and are entitled to the number of votes equal to the number of shares of Senior Stock. The Senior Stock holders have full voting rights and powers equal to the voting rights and powers of the holders of Common Stock. The holders of outstanding Senior Stock are entitled to elect six directors. The holders of Class F and Class E, voting as separate classes, are each entitled to elect one independent director; the holders of Class E, voting as a single class, are entitled to elect two directors; the holders of Class D, voting as a single class, are entitled to elect one director; the holders of Class C and Class B, voting together as a single class, are entitled to elect one director. The remaining member is elected by the holders of Common Stock, voting as a single class.

Stock Option Plans

Stock options are issued pursuant to the 2018-2028 Stock Option Plan (the "2018-2028 Plan"), which was approved by the Board of Directors of the Company on October 30, 2018. Under the 2018-2028 Plan, the Company has the ability to issue incentive stock options, nonqualified stock options and stock purchase rights. The Board of Directors has the authority to approve the employees and nonemployees to whom stock awards are granted and determine the terms of each award. Such options are to be exercisable at prices, as determined by the board of directors, generally equal to the fair value of the Company's common stock at the date of grant and have a contractual term of 10 years.

Options are exercisable upon vesting and vested options generally expire 6 months after termination of the optionee's employment or relationship as a consultant or director, unless otherwise extended. Any unvested options or vested but unexercised options are returned to the Company.

As of December 31, 2022 and 2021, there were options outstanding to purchase 163,087 shares and 158,087 shares, respectively, of common stock under the 2018-2028 Plan and 163,087 and 158,087 options, respectively, were available for issuance under the 2018-2028 Plan.

A summary of the Company's stock option activity is as follows (in Euro):

	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balance as of January 1, 2021	194,153	10.86		
Options granted	0			
Options forfeited	36,066			
Balance as of December 31, 2021	158,087	10.83	6.33	4,966,050
Options vested and expected to vest as of December 31, 2021	112,798	10.51		3,579,847
Options vested as of December 31, 2021	112,798	10.51	6.33	3,579,847

	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balance as of December 31, 2021	158,087	10.83		
Options granted (weighted average fair value of Eur 30,98 per share)	20,000			
Options forfeited	15,000			
Balance as of December 31, 2022	163,087	10.86	5.33	5,118,188
Options vested and expected to vest as of December 31, 2022	126,486	10.59		4,004,511
Options vested as of December 31, 2022	126,486	10.59	5.33	4,004,511

The Company has computed the aggregate intrinsic value amounts disclosed in the above table based on the difference between the original exercise price of the options and management's estimate of the fair value of the Company's common stock as of December 31, 2022 and 2021. The weighted-average grant date fair value of options that vested during the year ended December 31, 2022 and 2021 was Euro 30.43 and Euro 30.85 per share, respectively.

Stock-based compensation expense was recorded in the following cost and expense categories in the Company's income statement:

	Years Ended December 31, 2022	2021
Research and development	€(344,828)	€ (683,766)
General and administrative	(387,440)	(547,989)
Total	€(732,268)	€(1,231,755)

As of December 31, 2022 and 2021, there was Euro 533,350 and Euro 1,265,619, respectively, of total unrecognized compensation cost related to unvested stock options. That cost is expected to be recognized over a weighted average period of 5 years. No tax benefit is recognized on the Stock-Based compensation expense.

Stock-Based Awards to Employees — All stock-based compensation granted to employees and directors is measured at the grant date fair value of the award. The Company estimated the fair value of its common stock utilizing periodic contemporaneous valuations prepared by an independent third-party appraiser based upon several factors, including its operating and financial performance, progress and milestones attained in its business, and past sales of convertible preferred stock.

The Company estimates the fair value of each option award on the date of grant using the Black-Scholes option-pricing model and using the assumptions noted in the below table. Expected volatility is based upon the historical volatility of a peer group of publicly traded companies. The expected term represents the period that the Company's share-based awards are expected to be outstanding. The Company determines the expected term based on the average period the stock options are expected to remain outstanding, generally calculated as the midpoint of the stock option's vesting term and contractual expiration period, as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. The risk-free rate is based on Euribor 6M zero coupon curve at the time of grant that are commensurate with the expected term of the awards. The Company utilizes a dividend yield of zero, as it does not currently issue dividends and does not expect to in the future. For purposes of determining the fair value of the Company's common stock to be used in the calculation of stock-based compensation, the Company considered the price per share derived from the most recent capital injections and determined that other factors should be considered, including (i) the prices, rights, preferences and privileges of the Company's senior stock relative to those of its common stock, (ii) the lack of marketability of the Company's Common Stock, (iii) actual operating and financial results, (iv) current business conditions and projections, (v) the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company, given prevailing market conditions, and (vi) precedent transactions involving the Company's shares. The assumptions used to value options granted were as follows (no options were granted in the fiscal year ended December 31, 2021):

	Year ended December 31, 2022
Expected term (in years)	5,33
Volatility	53,04%
Risk-free interest rate	0,622%
Dividend yield	0%

The Company recognized employee stock-based compensation expense for the years ended December 31, 2022 and 2021, which was calculated based upon the number of awards ultimately expected to vest, and thus, this expense was reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

10. Income taxes

The Company is subject to income taxation in Italy and in the United States.

The components of loss before income taxes for the years ended December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Domestic	(10,636,629)	(15,746,669)
Foreign	(1,810,874)	(1,494,321)
Loss before provision for income taxes	(12,447,503)	(17,240,991)

Income tax expenses for the years ended December 31, 2022 and 2021 consist of the following:

	December 31, 2022	December 31, 2021
Current:		
Domestic (IRES/IRAP)	—	—
Foreign	(76,670)	(93,118)
	(76,670)	(93,118)
Deferred**:**		
Domestic (IRES/IRAP)	—	—
Foreign	—	—
	—	—
Total provision	(76,670)	(93,118)

Income tax expense differs from the amount expected by applying the IRES statutory rate, the national income tax rate of the Company's country of domicile, to the loss before taxes as follows:

	Years Ended December 31, 2022	2021
Statutory income tax rate	24%	24%
Non-Deductible interests	(1.71)	(0.34)
Non-deductible expenses and others	(1.38)	(1.72)
Tax credits	1.99	2.52
Other	(0.78)	(1.19)
Change in valuation allowance	(22.74)	(23.80)
	(0.62)%	(0.54)%

Deferred taxes are recognized for the tax effects of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities, and for carryforwards. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Deferred tax assets:		
Net operating loss carryforwards	22,788,681	20,059,019
Accrued expenses and other current liabilities	418,390	296,806
Property and equipment	80,840	80,840
Post-retirement benefit plans	9,353	7,434
Total deferred tax assets	23,297,264	20,444,099
(Deferred tax liabilities):		
Debt, current	(43,242)	(20,104)
Total deferred tax liabilities	(43,242)	(20,104)
Less: valuation allowance	(23,254,023)	(20,423,995)
Net deferred tax assets	—	—

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the deferred tax assets have been reduced by a valuation allowance, to the extent not supported by reversing taxable temporary differences. The valuation allowance increased by approximately Euro 3 million and Euro 4 million for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the Company had net operating loss carryforwards for IRES income tax purposes of Euro 94.9 million and Euro 83.6 million, respectively, which can be carried forward indefinitely.

The Company files income tax returns in the United States and Italy. As of December 31, 2022 and 2021, the Company recognized a liability for unrecognized tax benefits (included within Other non-current liabilities caption) for Euro 399,338 (of which Euro 25,044 of interests and Euro 75,639 of penalties) and Euro 304,786 (of which Euro 11,138 of interests and Euro 59,569 of penalties), respectively. Interests and penalties recognized for the years ended December 31, 2022 and 2021 amounts to Euro 25.972 and Euro 22.519, respectively.

The Company does not expect that its unrecognized tax benefits will materially change in the next twelve months.

The Company is subject to income taxes in Italy and foreign jurisdictions. In the normal course of business, it is subject to examination by U.S. federal, state and local taxing authorities. The Company is not currently under examination by the Italian Tax Authorities or any other taxing authority. All tax years remain open to examination by major taxing jurisdictions in which the Company files returns due to unutilized net operating carryforwards.

11. Accumulated Other Comprehensive Income (Loss)

The accumulated balances related to each component of other comprehensive income (loss) are as follows:

	Cumulative Foreign Currency Translation Adjustment	Defined benefit pension plan	Accumulated Other Comprehensive Income (Loss)
As of December 31, 2020	€ 118,540	€ —	€ 118,540
Other comprehensive income (loss)	(144,670)	(3,139)	(147,809)
As of December 31, 2021	(26,130)	(3,139)	(28,955)
Other comprehensive income (loss)	(122,125)	1,554	(120,571)
As of December 31, 2022	€(148,255)	€ (1,585)	€ (149,840)

12. Related parties

There are no transactions with related parties of the Company during the periods presented.

13. Subsequent Events

The Company has evaluated subsequent events through January 4, 2024, which is the date the consolidated financial statements were available to be issued.

In the first half of 2023 the Company received a total amount of Euro 5,425,000 in connection with the Investment Agreement for Capital Injection. The first additional tranche was subscribed in April 2023 for a total amount of Euro 3,256,000. The second additional tranche was subscribed in June 2023 for a total amount of Euro 2,169,000.

On September 7, 2023, the Shareholders of the Company approved an increase of the share capital of EryDel for a total amount of Euro 19,955,811. At the same meeting, the Shareholders also approved: i) the cancellation of all previous planned capital increases; ii) the cancellation of the Stock options plans, for which no payment or other rights were granted; iii) the conversion of all the senior stocks outstanding into such number of ordinary shares (thus acquiring the same rights) and iv) the conversion of the outstanding Investment Agreement Loan including any accrued interests to date into Stockholders' equity (the conversion date agreed among the Investors and the Company was July 15, 2023).

On September 28, 2023, the U.S. Food and Drug Administration (FDA or the "Agency") has lifted the partial clinical hold on the Company's Investigational New Drug (IND) application for its lead Phase 3 asset, EryDex. Currently, there are no approved treatments for patients with A-T.

On October 20, 2023, Quince completed the acquisition of the Company. The acquisition was completed pursuant to Stock Purchase Agreement, dated as of July 21, 2023, (the "Purchase Agreement"), by and among Quince, the Company, EryDel US, holders of EryDel capital stock and the managers of EryDel (the "EryDel Shareholders") and Shareholder Representative Services LLC, a Colorado limited liability company solely in its capacity as the representative, agent and attorney-in-fact of the EryDel Shareholders. Pursuant to the terms of the Purchase Agreement, Quince issued 6,525,315 shares of its common stock to the EryDel Shareholders, resulting in the EryDel Shareholders owning approximately 15.2% of the outstanding common stock Quince. Up to an additional 725,037 shares of Quince's common stock may be issued to the EryDel Shareholders upon the first anniversary of the closing of the acquisition. The EryDel Shareholders have a contingent right to receive up to an aggregate of $485 million in potential cash payments, comprised of up to $5 million upon the achievement of a specified development milestone, $25 million at NDA acceptance by the FDA, up to $60 million upon the achievement of specified approval milestones, and up to $395 million upon the achievement of specified on market and sales milestones, with no royalties paid to EryDel.

In connection with the closing of the acquisition, Quince has agreed to guarantee the obligations of EryDel in respect of the EIB Loan. As of October 20, 2023, approximately Euro 10 million has been disbursed to EryDel. The outstanding principal amount under the EIB Loan will become due and payable at maturity on August 11, 2026 and bears interest at a fixed rate of 9.00% per annum. The EIB Loan may be voluntarily prepaid at any time with at least 60 days' prior notice, subject to a prepayment penalty.

Pursuant to the EIB Loan, the Company and Quince will (i) make representations and warranties to EIB that are customary for facilities similar to the EIB Loan and (ii) become bound by customary affirmative and negative covenants, subject to customary exceptions. Quince, but not the Company, will become subject to a requirement under the EIB Loan to maintain a certain minimum unrestricted balance of cash or cash equivalents during the term of the EIB Loan. A failure by the Company or Quince to comply with any of the covenants applicable to it under the EIB Loan will, either immediately or after the passage of time in the case of those covenants that are subject to a grace period, constitute an event of default under the EIB Loan. Pursuant to the Guarantees, the Company and Quince have agreed to guarantee EryDel's obligations under the EIB Loan, which must be paid to EIB within five (5) business days of written demand therefor from EIB.

On August 30, 2023, Quince, through its subsidiary EryDel Italy, Inc., entered into a promissory note, (the "Promissory Note") with the Company, pursuant to which EryDel Italy, Inc. promised to make advances to EryDel of up to $1.0 million. Under the terms of the Promissory Note, the principal amount of the note shall be made available in two tranches, an initial tranche, in an aggregate amount of $500,000 (approx. Euro 463,390 as of September 30, 2023), with an interest rate of 5.07% per annum, and a second tranche, up to an aggregate amount of $500,000, with an annual interest rate equal to Applicable Federal Rate for Annual Compounding Short-Term Debt Instruments as at the funding date of such tranche, to be funded to EryDel during the period commencing September 1, 2023 to October 31, 2023. The first tranche was made during the three months ended September 30, 2023. Interest receivable as of September 30, 2023 was $1,300 (approx. Euro 1,200). On October 17, 2023 the second tranche in an amount of $500,000 with 5.22% annual interest to EryDel was provided by Quince to the Company. On October 24, 2023, in connection with the above mentioned acquisition, the outstanding principal and accrued interest due under the Promissory Note of approximately $1.0 million in the aggregate was deemed to be paid and discharged in full.

Exhibit 99.2

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

EryDel S.p.A.
As of September 30, 2023 and for the three- and nine-months periods ended September 30, 2023 and 2022

EryDel S.p.A.

Condensed Consolidated Financial Statements

As of September 30, 2023 and for the three- and nine-months periods ended September 30, 2023 and 2022

Contents

EryDel S.p.A.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Euro, except share and per share data)

	September 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
Current assets:		
Cash	€ 747,433	1,290,483
Prepaid expenses and other current assets	5,713,651	5,672,517
Total current assets	6,461,084	6,963,000
Non-current assets:		
Property and equipment, net	222,741	259,721
Operating lease right-of-use assets, net	347,344	379,447
Other non-current assets	5,578,304	5,574,237
Total non-current assets	6,148,389	6,213,405
Total assets	**€ 12,609,473**	**13,176,405**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade payables	€ 1,713,863	2,916,523
Debt, current	463,390	13,666,826
Accrued Expenses and Other Current Liabilities	2,315,732	1,035,246
Total current liabilities	4,492,985	17,618,595
Non-current liabilities:		
Post-retirement benefit plans	63,618	66,859
Debt, non-current	11,194,460	11,226,326
Other non-current liabilities	702,556	715,318
Total long-term liabilities	11,960,634	12,008,503
Total liabilities	16,453,619	29,627,098
Commitments and contingencies		
Stockholders' equity:		
Common stock, Euro 1,00098 par value: 4,241,889 shares authorized and 4,241,889 issued and outstanding as of September 30, 2023; Euro 1,00 par value: 73,480 shares authorized and 73,480 issued and outstanding as of December 31, 2022	4,246,046	73,480
Senior Stock, €1,0025 par value: 1,678,505 shares authorized and 1,678,505 issued and outstanding as December 31, 2022		1,682,662
Additional Paid-in Capital	76,235,531	58,411,755
Accumulated other comprehensive loss	(167,525)	(149,840)
Accumulated deficit	(84,158,198)	(76,468,750)
Total stockholders' equity	(3,844,146)	(16,450,693)
Total liabilities and stockholders' equity	**€ 12,609,473**	**13,176,405**

See accompanying notes.

EryDel S.p.A.

CONDENSED CONSOLIDATED INCOME STATEMENTS

(Unaudited)

(In Euro)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Operating expenses:				
Research and development expenses	€(1,268,894)	(1,160,679)	(2,654,193)	(5,490,806)
General and administrative expenses	(880,581)	(883,373)	(3,690,310)	(2,583,180)
Operating Loss	**(2,149,475)**	**(2,044,052)**	**(6,344,503)**	**(8,073,986)**
Financial expense, net	(78,581)	(391,672)	(1,331,672)	(1,064,309)
Foreign currency loss	(614)	142,247	6,305	291,526
Loss before income tax	**(2,228,670)**	**(2,293,477)**	**(7,669,870)**	**(8,846,769)**
Income taxes	(6,024)	(53,552)	(19,578)	(59,692)
Loss for the period	**€(2,234,694)**	**(2,347,029)**	**(7,689,448)**	**(8,906,461)**
Net loss per shares:				
Net loss per share attributable to common stockholders - basic and diluted	(0.53)	(1.34)	(1.81)	(5.08)
Weighted average common stock - basic and diluted	4,241,889	1,751,985	4,241,889	1,751,985

See accompanying notes.

EryDel S.p.A.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/ (LOSS)

(Unaudited)

(In Euro)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Loss for the period	€ (2,234,694)	(2,347,029)	(7,689,448)	(8,906,461)
Other comprehensive income (loss):	—	—		
Gains or losses from post retirement benefits, net of tax	787	389	2,028	1,166
Foreign currency translation adjustments	(69,551)	(176,298)	(19,714)	(381,382)
Total other comprehensive income (loss)	(68,764)	(175,909)	(17,685)	(380,216)
Total comprehensive loss	**€ (2,303,458)**	**(2,522,938)**	**(7,707,133)**	**(9,286,677)**

See accompanying notes.

EryDel S.p.A.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY/(DEFICIT)

(Unaudited)

(In Euro, excluding share data)

	For the nine months ended September 30, 2023 and 2022							
	Common Stock		Senior Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated other comprehensive loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance January 1, 2023	**73,480**	**€ 73,480**	**1,678,505**	**€ 1,682,662**	**58,411,755**	**(149,840)**	**(76,468,750)**	**(16,450,693)**
Post-retirement benefit plans	—	—	—	—	—	2,028	—	2,028
Issuance of warrants	—	—	—	—	(18,987,506)	—	—	(18,987,506)
Conversion of Investment Agreement Loan and New Convertible Loan	2,489,904	2,489,904	—	—	36,277,932	—	—	38,767,836
Conversion of Senior Stock into Common Stock	1,678,505	1,682,662	(1,678,505)	(1,682,662)	—	—	—	—
Foreign currency translation	—	—	—	—	—	(19,714)	—	(19,714)
Share-based compensation	—	—	—	—	533,350	—	—	533,350
Net loss	—	—	—	—	—	—	(7,689,448)	(7,689,448)
Balance at September 30, 2023	**4,241,889**	**€4,246,046**	**—**	**€ —**	**76,235,531**	**(167,525)**	**(84,158,198)**	**(3,844,146)**
Balance January 1, 2022	**73,480**	**€ 73,480**	**1,678,505**	**€ 1,682,662**	**57,679,486**	**(29,269)**	**(63,944,577)**	**(4,538,218)**
Post-retirement benefit plans	—	—	—	—	—	1,166	—	1,166
Foreign currency translation	—	—	—	—	—	(381,382)	—	(381,382)
Share-based compensation	—	—	—	—	549,202	—	—	549,202
Net loss	—	—	—	—	—	—	(8,906,461)	(8,906,461)
Balance September 30, 2022	**73,480**	**€ 73,480**	**1,678,505**	**€ 1,682,662**	**58,228,688**	**(409,485)**	**(72,851,038)**	**(13,275,693)**

EryDel S.p.A.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY/(DEFICIT)

(Unaudited)

(In Euro, excluding share data)

	For the three months ended September 30, 2023 and 2022							
	Common Stock		Senior Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated other comprehensive loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance June 30, 2023	**73,480**	**€ 73,480**	**1,678,505**	**€ 1,682,662**	**39,609,375**	**(98,760)**	**(81,923,504)**	**(40,656,747)**
Post-retirement benefit plans	—	—	—	—	—	786	—	786
Foreign currency translation	—	—	—	—	—	(69,551)	—	(69,551)
Share-based compensation	—	—	—	—	348,224	—	—	348,224
Conversion of Investment Agreement Loan and New Convertible Loan	2,489,904	2,489,904	—	—	36,277,932	—	—	38,767,836
Conversion of Senior Stock into Common Stock	1,678,505	1,682,662	(1,678,505)	(1,682,662)	—	—	—	—
Net loss	—	—	—	—	—	—	(2,234,694)	(2,234,694)
Balance September 30, 2023	**4,241,889**	**€4,246,046**	**—**	**€ —**	**76,235,531**	**(167,525)**	**(84,158,198)**	**(3,844,146)**
Balance June 30, 2022	**73,480**	**€ 73,480**	**1,678,505**	**€ 1,682,662**	**58,045,620**	**(233,575)**	**(70,504,009)**	**(10,935,822)**
Post-retirement benefit plans	—	—	—	—	—	388	—	388
Foreign currency translation	—	—	—	—	—	(176,298)	—	(176,298)
Share-based compensation	—	—	—	—	183,068	—	—	183,068
Net loss	—	—	—	—	—	—	(2,347,029)	(2,347,029)
Balance September 30, 2022	**73,480**	**€ 73,480**	**1,678,505**	**€ 1,682,662**	**58,228,688**	**(409,485)**	**(72,851,038)**	**(13,275,693)**

See accompanying notes.

EryDel S.p.A.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In Euro)

	September 30, 2023	September 30, 2022
Cash flows from / (used in) operating activities		
Net loss	**€(7,689,448)**	**(8,906,461)**
Adjustments to reconcile net loss to net cash used in operating activities:		
Post-Retirement benefit obligation	(1,213)	(5,438)
Depreciation expense	108,395	105,448
Share-based compensation	533,350	549,201
Non-cash interest expense	656,638	1,063,863
Other non cash items	(19,422)	(381,952)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(41,134)	502,497
Other non-current assets	(4,071)	89,724
Accounts payable	(1,202,660)	(841,716)
Accrued expenses	1,276,563	(289,632)
Other non-current liabilities	40,888	78,017
Net cash used in operating activities	**(6,342,114)**	**(8,036,449)**
Cash flows from / (used in) investing activities:		
Purchases of fixed assets	(89,038)	(57,375)
Net cash used in investing activities	**(89,038)**	**(57,375)**
Cash flows from financing activities		
Proceeds from Notes Payables	5,425,000	7,750,000
Proceeds from Promissory note	463,390	—
Net cash from financing activities	**5,888,390**	**7,750,000**
Effect of exchange rate changes on cash	(288)	(292)
Net increase (decrease) in cash and cash equivalents	**(543,050)**	**(344,116)**
Cash and cash equivalents at beginning of period	1,290,483	4,058,026
Cash and cash equivalents at end of period	747,433	3,713,910
Supplemental disclosures of non-cash information:		
Right-of-use assets obtained in exchange for new operating lease liabilities	17,623	16,979

See accompanying notes.

1. Description of Business

EryDel S.p.A. (hereinafter also the "Company" or "EryDel") was incorporated in Italy in 2007 and is headquartered in Bresso (Milan), Italy. EryDel is a clinical stage biopharmaceutical company focused on developing and commercializing specialized therapies for the treatment of rare diseases by using the patient's own blood (Red Cell Loader). In May 2018, the Company established a wholly owned subsidiary ("EryDel US") in the State of New Jersey, USA, for the commercialization of its specialized therapies in the US, upon obtaining the relevant approvals from both the European and US regulatory authorities.

EryDel's proprietary platform technology is an easy to use, fast and automatic bedside procedure, to encapsulate small and large molecules including therapeutic enzymes in patients' red blood cells. The cells are immediately re-infused into the patients providing prolonged half-life in circulation, reduced immunogenicity, better tolerability and predictable vascular distribution. EryDel's technology consists of a specialized system (Red Cell Loader), a sterile single use kit (the "EryKit") and process solutions.

On September 28, 2023, the U.S. Food and Drug Administration (FDA or the "Agency") has lifted the partial clinical hold on the Company's Investigational New Drug ("IND") application for its lead Phase 3 asset, EryDex. Currently, there are no approved treatments for patients with A-T.

On October 20, 2023, Quince Therapeutics, Inc. ("Quince") completed the acquisition of the Company. Such acquisition was completed pursuant to that certain Stock Purchase Agreement, dated as of July 21, 2023, (the "Purchase Agreement"), by and among Quince, the Company, EryDel US, holders of EryDel capital stock and the managers of EryDel (the "EryDel Shareholders") and Shareholder Representative Services LLC, a Colorado limited liability company solely in its capacity as the representative, agent and attorney-in-fact of the EryDel Shareholders. Pursuant to the terms of the Purchase Agreement, Quince issued 6,525,315 shares of its common stock to the EryDel Shareholders. Up to an additional 725,037 shares of Quince's common stock may be issued to the EryDel Shareholders upon the first anniversary of the closing of the acquisition. The EryDel Shareholders have a contingent right to receive up to an aggregate of $485,000,000 in potential cash payments, comprised of up to $5,000,000 upon the achievement of a specified development milestone, $25,000,000 at new drug application ("NDA") acceptance by the U.S. Food and Drug Administration ("FDA"), up to $60,000,000 upon the achievement of specified approval milestones, and up to $395,000,000 upon the achievement of specified on market and sales milestones, with no royalties paid to EryDel. Refer to Note 13 Subsequent Events for additional details.

Fiscal Year

The Company's fiscal year ends on December 31. References to fiscal 2022, for example, refer to the year ended December 31, 2022.

Basis of Presentation

These unaudited condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the management's opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the results of operations and cash flows for the periods presented have been included.

All figures presented are in Euro, unless otherwise stated.

The condensed consolidated balance sheet as of September 30, 2023, the condensed consolidated income statement, condensed consolidated statements of comprehensive income/(loss), changes in stockholders' equity/(deficit) and cash flows for the nine months ended September 30, 2023, and the financial data and other financial information disclosed in the notes to the condensed consolidated financial statements are unaudited. These financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2022. The results of operations for the nine months ended September 30, 2023 are not necessarily indicative of the results to be expected for the year ending December 31, 2023 or for any other future annual or interim period.

Going Concern

The valuation of the financial statement going concern was carried out considering the Company as an economic complex operating for an estimated period of at least 12 months from the date of this balance sheet. The Company has incurred recurring losses and negative cash flows from operations since its inception and has primarily funded these losses through proceeds from capital contributions and issuance of debt instruments.

The Board of Directors assessed the existence of going concern of the Company, taking into account multiple factors, such as: (i) the Company's cash at September 30, 2023 which is Euro 747,433; (ii) the stock purchase agreement entered into by the Company and Quince Therapeutics, Inc ("Quince") on July 21, 2023, as described below.

On October 20, 2023, Quince completed the acquisition of the Company. This acquisition will provide the required resources to support operations and execute the Company's business plan. In particular, Quince will provide support to the Company in meeting its financial obligations as well as the financial means to continue the development of EryDex, a Phase 3 therapy for the rare disease Ataxia-Telangiectasia (A-T), for which currently there is no cure in the market. In this respect, as further described in Note 13 Subsequent Events, Quince has agreed to guarantee the financial obligations of EryDel in respect of the outstanding EIB Loan and provided the Company with cash of Euro 0.9 million ($1.0 million) as a promissory note. With regards to its financial position, Quince cash, cash equivalents and short-term investments amount to $83.2 million as of September 30, 2023 (approx. Euro 78.5 million), sufficient to fund the anticipated clinical and development activities related to EryDex, through a single Phase 3 NEAT trial, and a potential NDA submission to the FDA, assuming positive results, into at least 2026.

In accordance with Accounting Standards Update, or "ASU", No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, based on the above assumptions, management expects that it will have the financial support needed to fund its forecasted operating expenses and capital expenditure requirements for at least the next twelve months. Accordingly, the consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of EryDel S.p.A. and its wholly owned subsidiary EryDel US. All intercompany balances and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates used in the Company's consolidated financial statements relate to the determination of the fair value of stock-based awards, including stock-based compensation expense and related assumptions, the incremental borrowing rate used for leases, unrecognized tax benefits, the valuation allowance for deferred tax assets, the assessment of impairment indicators for intangible and tangible assets and the valuation of embedded derivatives included within the Investment Agreement Loan and the New Convertible Loan. The Company bases its estimates on historical experience and on various other market specific and other relevant assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the Company's estimates and assumptions.

Foreign Currency Translation and Transactions

The Company uses the Euro as the reporting currency for the purposes preparing its consolidated financial statements. The functional currency of the Company's wholly owned subsidiary is the U.S. Dollar. Its financial results and financial position are translated into Euro using exchange rates at balance sheet dates for assets and liabilities and using average exchange rates during the period for income and expenses. The resulting translation differences are presented as a separate component of accumulated other comprehensive loss, as a separate component of equity.

Foreign currency transactions are translated into the functional currencies using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the re-measurement of monetary assets and liabilities denominated in foreign currencies using exchange rates at balance sheet date and non-monetary assets and liabilities using historical exchange rates, are recognized in the consolidated statements of operations.

Significant Accounting Policies

There have been no significant changes to the accounting policies during the nine months ended September 30, 2023, as compared to the significant accounting policies described in our consolidated financial statements and notes thereto for the year ended December 31, 2022.

Research and Development Expenses

Research and development expenses are expensed as incurred. Research and development expenses consist of costs incurred in performing research and development activities, including salaries, share-based compensation and benefits, facility costs and costs for external vendors and consultants engaged to conduct clinical development activities and clinical trials, (e.g., contract research organizations [or “CROs”]), as well as costs to develop a manufacturing processes, perform analytical testing and manufacture clinical trial materials, (e.g., contract manufacturing organizations [or “CMOs”]). Non-refundable prepayments for goods or services that will be used or rendered for future research and development activities are recorded as prepaid expenses. Such amounts are recognized as an expense as the goods are delivered or the related services are performed, or until it is no longer expected that the goods will be delivered, or the services rendered. In addition, funding from research grants, if any, is recognized as an offset to research and development expense based on costs incurred on the research program.

Research and development expenses refer to costs incurred by the Company for the development of therapies in connection with the Red Cell Loader technology: ATTeST and OLE-IEDAT. Research and development expenses are recorded net of governmental grants received. In particular, grants received are recorded on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Grants are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Company complies with the related requirements.

Cash

The cash balance entirely relates to cash on hand held in checking and deposit accounts. Cash as of September 30, 2023 amounted to Euro 747,433. There are no restrictions as to the use of the cash on hand held by the Company.

Stock-Based Compensation

All stock-based compensation granted to employees is measured at the grant date fair value of the award and recognized as an expense in the statement of operations over the requisite service period, which is generally the vesting period. The Company estimates the fair value of stock options using the Black-Scholes option-pricing model. Compensation expense is recognized using the straight-line method net of estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeiture differs from those estimated.

The Company accounts for equity awards issued to non-employees, such as consultants, based on the fair value of the award, using the Black-Scholes option-pricing model.

On September 7, 2023, the Shareholders of EryDel S.p.A. approved, among others, the cancellation of the Stock options plan. As this cancellation was not accompanied by a concurrent grant of a replacement award or other valuable consideration, it was accounted for as a repurchase for no consideration. Accordingly, the previously unrecognized compensation cost of Euro 256 thousand was recognized at the cancellation date.

Recent Accounting Pronouncements Adopted

Financial Instruments—Credit Losses: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments which amends the principles around the recognition of credit losses by mandating entities incorporate an estimate of current expected credit losses when determining the value of certain assets. The guidance also amends reporting around allowances for credit losses on available-for-sale marketable securities. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments—Credit Losses* (Topic 326), *Derivatives and Hedging* (Topic 815) and *Leases* (Topic 842): Effective Dates, which established that a one-time determination of the effective date for ASU 2016-13 would be based on the Company’s SEC reporting status as of November 15, 2019. The Company was a “smaller reporting company” as defined by Item 10 of Regulation S-K, and therefore, ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. This guidance helps to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in Topic 326 replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Company has adopted the new guidance as of January 1, 2023, and it did not have a material impact on its financial statements and related disclosures.

Recent Accounting Pronouncements Not Yet Adopted

The following are new accounting pronouncements that the Company is evaluating for future impacts on its financial statements:

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. This ASU amends the guidance on convertible instruments and the derivatives scope exception for contracts in an entity's own equity and improves and amends the related EPS guidance for both Subtopics. The ASU will be effective for annual reporting periods after December 15, 2023 and interim periods within those annual periods and early adoption is permitted in fiscal periods ending after December 15, 2020. Upon implementation, the Company may use either a modified retrospective or full retrospective method of adoption. The Company is evaluating the impact of adopting the new ASU.

Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (ASC 820); In June 2022, the FASB issued ASU No. 2022-03, "*Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*." This ASU clarifies that a contractual restriction on the sale of equity security should not be considered in measuring the fair value. In addition, the ASU requires specific disclosures related to contractual sale restrictions. The ASU is effective in January 2024 under a prospective approach. Early adoption is permitted. Adoption of this ASU is not expected to have a material impact on the Company's condensed consolidated financial statements.

3. Fair Value Measurements

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which to transact and the market-based risk. Fair value is determined based on quoted market rates when observable or utilizing data points that are observable, such as quoted prices, interest rates and yield curves. Whenever required, the Company applies fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The carrying amounts reported in the consolidated financial statements approximate the fair value for cash, accounts receivable, accounts payable, and accrued expenses and other current liabilities, due to their short-term nature.

Inputs used to determine the fair value of assets and liabilities are defined be a three-level hierarchy, depending on the nature of those inputs. The Company has categorized its financial assets and liabilities measured at fair value within this hierarchy based on whether the inputs to the valuation technique are observable or unobservable. An unobservable input is based on market data obtained from independent sources, while an unobservable input reflects the company's assumptions adopt market data.

The fair value of the Company's financial instruments reflects the amounts that the company estimates would receive in connection with the sale of an asset or pay in connection with the transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). The Company discloses and recognizes the fair value of the assets and liabilities using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;
- Level 2: Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs in markets that are not considered to be active;
- Level 3: Inputs that are unobservable. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability. The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period. There were no transfers within the hierarchy during the three- and nine-months periods ended September 30, 2023.

There are no financial assets subject to fair value measurements on a recurring basis as of September 30, 2023.

4. Financial Statement Components

Prepaid expenses and other current assets consisted of the following:

	September 30, 2023	December 31, 2022
Credit for tax other than income tax	€ 4,264	621
VAT receivables	3,116,474	2,829,976
Research and development tax credit, current	1,555,941	1,200,000
Other current assets	34,318	31,548
Advance payments to suppliers	342,103	1,558,435
Prepaid expenses	657,765	48,941
Receivables towards Insurance	2,787	2,996
Total prepaid expenses and other current assets	**€ 5,713,651**	**5,672,517**

Other non-current assets consisted of the following:

	September 30, 2023	December 31, 2022
Research and development refundable tax credit	€ 5,570,981	€ 5,570,981
Other non-current assets	7,327	3,257
Total other non-current assets	€ 5,578,308	€ 5,574,238

The Company research and development tax credits available to be used amounts to Euro 7,126,922 at September 30, 2023, which can be carried forward indefinitely and do not expire.

In the three- and nine-months periods ended September 30, 2023, the Company utilized Euro 250,927 and Euro 844,059, respectively, of available tax credits to offset certain social contributions and tax payables. In the three- and nine-months periods ended September 30, 2022, the Company utilized Euro 249,502 and Euro 884,042, respectively, of available tax credits to offset certain social contributions and tax payables.

Property and equipment, fix consisted of the following:

	September 30, 2023	December 31, 2022
Computer equipment	€ 192,480	€ 185,934
Lab equipment	1,255,369	1,196,577
Office furniture	233,887	233,887
Leasehold Improvements	57,704	57,704
Total property and equipment, gross	1,739,440	1,674,102
Computer equipment	(165,739)	(148,551)
Lab equipment	(1,133,809)	(1,077,511)
Office furniture	(165,028)	(143,884)
Leasehold Improvements	(52,123)	(44,434)
Less: Accumulated depreciation and amortization	(1,516,699)	(1,414,380)
Total property and equipment, net	€ 222,741	€ 259,721

Depreciation expense for property and equipment was Euro 35,989 and Euro 108,395 for the three- and nine-months periods ended September 30, 2023, respectively. Depreciation expense for property and equipment was Euro 29,554 and Euro 87,984 for the three- and nine-months periods ended September 30, 2022, respectively.

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2023	December 31, 2022
Payables for Social security	€ 41,073	€ 93,412
Pension contribution payables	25,098	33,747
Accrued payroll	1,709,228	669,867
Accrued Expenses	427,977	—
Credit card debit	5,779	1,856
Other payables	42,326	172,897
Lease liability	64,250	63,467
Accrued Expenses and Other Current Liabilities	€ 2,315,732	€ 1,035,246

Payables for social security refer to amounts due to social security and employees withholding tax.

Accrued payroll refers to accruals for year-end bonuses, accrued vacations and extra-hours including social security charges, to be paid to employees.

Accrued expenses refer to invoices to be received from vendors for services performed and not yet billed.

5. Leases

The Company presents the right-of-use assets acquired via operating leases as part of non-current assets and its lease liabilities are included in the current and non-current financial liabilities. There are no finance leases recorded at September 30, 2023.

As the Company's leases do not generally provide an implicit interest rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company's lease agreements may have lease and non-lease components, which the Company accounts for as a single lease component. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term and variable payments are recognized in the period they are incurred. The Company's lease agreements do not contain any residual value guarantees, and leases with an initial term of 12 months or less are not recorded on the balance sheet.

The components of the lease expense recorded in the consolidated income statement were entirely related to operating lease cost for Euro 47,557 and Euro 71,785 for the three- and nine-months periods ended September 30, 2023, respectively. The amounts for the three- and nine-months periods ended September 30, 2022 were Euro 22,881 and Euro 67,029, respectively.

Supplemental balance sheet and other information related to leases was as follows:

	As of September 30, 2023	As of December 31, 2022
Assets:		
Operating lease asset	€ 357,705	€ 379,447
Total Leased Assets	€ 357,705	€ 379,447
Liabilities:		
Current Operating	€ 64,250	€ 63,466
Long-term Operating	€ 283,094	€ 315,980
Total lease liabilities	€ 347,344	€ 379,446

Supplemental cash flow information related to leases was as follows:

	As of September 30, 2023	As of December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	€ (71,735)	€ (89,911)
Weighted average remaining lease term (in years):		
Operating leases	5.5	6.2
Weighted average discount rate:		
Operating leases	7,79%	7.97%

Maturities of lease liabilities were as follows:

	As of September 30, 2023	
	Operating leases	Total
2024	€ 89,779	€ 89,779
2025	€ 78,932	€ 78,932
2026	€ 76,778	€ 76,778
2027	€ 70,407	€ 70,407
2028	€ 121,490	€ 121,490
Total undiscounted lease payments	€ 436,846	€ 436,846
Present value discount	€ (89,502)	€ (89,502)
Present value	€ 347,344	€ 347,344
Lease liability, current	€ 64,250	€ 64,250
Lease liability, long term	€ 283,094	€ 283,094

6. Debt

European Investment Bank Borrowing

As of September 30, 2023, the Company had outstanding financing agreements with the European Investment Bank ("EIB") for a total amount of Euro 11,406,500, which were entered into on July 24, 2020 to finance the AT project (the "EIB Loan"). The total maximum financing is Euro 30,000,000, which the Company, at its discretion, can access with the achievement of specific milestones of the AT project. The first tranche (Tranche A) of Euro 3,000,000 was drawn on January 21, 2021, and the second tranche of Euro 7,000,000 (Tranche B) was drawn on August 11, 2021. Interest is accrued at an annual rate equal to 9%. Principal and interest payments are payable at the maturity date, which is 5 years from January 21, 2021 and August 11, 2021, respectively. The Company recorded the EIB Loan as a liability measured at amortized cost.

Interest expense incurred and charged to expense was Euro 226,849 and Euro 641,285 for the three- and nine-months periods ended September 30, 2023, respectively. Interest expense incurred and charged to expense was Euro 200,898 and Euro 602,693 for the three- and nine-months periods ended September 30, 2022, respectively.

In connection with the closing the acquisition of the Company, Quince has agreed to guarantee the obligations of EryDel in respect of the EIB Loan. As of October 20, 2023, Euro 10 million has been disbursed to EryDel. The outstanding principal amount under the EIB Loan will become due and payable at maturity on August 11, 2026 and bears interest at a fixed rate of 9.00% per annum. The EIB Loan may be voluntarily prepaid at any time with at least 60 days' prior notice, subject to a prepayment penalty. Refer to Note 13 Subsequent Events for additional details.

Investment Agreement for Capital Injection and New Convertible Loan

On February 17, 2023, in connection with the Investment Agreement for Capital Injection, the Company entered into a convertible loan agreement with its Founders, management team and current Investors for a total amount up to Euro 5.5 million ("New Convertible Loan").

In the first half of 2023 the Company received a total amount of Euro 5,425 thousand in connection with such New Convertible Loan. The first additional tranche was subscribed in April 2023 for a total amount of Euro 3,256 thousand. The second additional tranche was subscribed in June 2023 for a total amount of Euro 2,169 thousand.

The New Convertible Loan bear interest at a rate of 12% per annum and had a maturity date of December 31, 2023. Interest is accrued on the outstanding principal until converted. The Company recorded the New Convertible Loan as a liability measured at amortized cost. In addition, the New Convertible Loan contained a number of embedded features requiring evaluation for bifurcation as derivatives. The New Convertible Loan was not subsequently measured at fair value, and therefore, the nature of any embedded features was analyzed to determine whether each feature required bifurcation by both (1) meeting the definition of a derivative and (2) not being considered clearly and closely related to the debt host contract. The following is the list of features identified in the New Convertible Loan and considered embedded derivatives that are not clearly and closely related to the New Convertible Loan, met the definition of a derivative, and required bifurcation from the New Convertible Loan and separate accounting:

- Automatic Conversion upon an Equity Financing – Upon an equity financing completed on or before December 31, 2023, outstanding principal amount and any unpaid accrued interest shall, subject to the prior approval of the holders of two-third of the New Convertible Loan automatically convert in whole into the most senior class of shares issued in the Equity Financing at a subscription price per share equal to the lower of (i) 70% of the price per share of the Equity Financing; (ii) a price per share to be calculated based on a Company pre-money valuation of Euro 60 million.
- Voluntary Conversion upon a Liquidation Event – Upon a liquidation event (as defined in the investment and shareholders' agreement, as amended from time to time) completed on or before December 31, 2023, outstanding principal amount and any unpaid accrued interest shall, at the election of each investor, automatically convert into that number of the most senior class of preferred shares outstanding at a subscription price per share equal to the lower of (i) a price per share to be calculated based on a Company valuation of Euro 60 million; and (ii) the price per share retained for the purpose of such Liquidation Event.
- Voluntary Prepayment upon a Liquidation Event—Upon a liquidation event (as defined in the investment and shareholders' agreement, as amended from time to time) completed on or before December 31, 2023, outstanding principal amount and any unpaid accrued interest shall, at the election of each investor, become due and payable immediately prior to the closing of such Liquidation Event for an amount equal to 3.5x the outstanding principal amount and any unpaid accrued interest.
- Automatic Conversion upon the maturity date of December 31, 2023 – If there is no Equity Financing or Liquidation Event prior to December 31, 2023, then the outstanding principal amount and any unpaid accrued interest shall convert into the most senior class of preferred shares outstanding at a price per share to be agreed upon by the Company and the Investors.

As a condition for the New Convertible Loan, the terms of the existing Investment Agreement Loan were amended to reflect the same terms of the New Convertible Loan in the event of an Automatic Conversion upon an Equity Financing, Voluntary Conversion upon a Liquidation Event or the Automatic Conversion upon the maturity date of December 31, 2023. In addition:

- Voluntary Prepayment upon a Liquidation Event—Upon a liquidation event (as defined in the investment and shareholders' agreement, as amended from time to time) completed on or before December 31, 2023, outstanding principal amount and any unpaid accrued interest shall, at the election of each investor, become due and payable immediately prior to the closing of such Liquidation Event for an amount equal to the outstanding principal amount and any unpaid accrued interest.

The valuation of these features included an assessment of the likelihood of the triggering events. These features have been bifurcated from the debt instrument at issuance and then subsequently marked to fair value through the consolidated income statement. The bifurcation of such features then created a discount to the New Convertible Loan which had, along with other deferred fees and costs and discounts, been amortized using the effective interest method. These features had an overall value of approximately nil at each subscription date (i.e., April and June 2023) due to, according to the expected likelihood of each trigger event previously described, the embedded option would be exercisable at a value closed to the fair market value.

Considering the difference between the market rate of interest upon issuance of the New Convertible Note and its contractual rate of interest (e.g., debt was issued with a stated coupon of 12% when the market yield for a debt instrument with similar terms and similar risks is 8%), the related premium (Euro 139,825) was not an asset or liability separable from the associated debt instrument, but rather, it was reported in the balance sheet as an adjustment to the carrying amount of the debt liability and not presented as a deferred charge or deferred credit. Such debt premium was amortized into interest income using the effective interest method.

In conjunction with such New Convertible Loan, the Company also granted a warrant coverage to subscribe Series F Preferred Shares (for at the original Series F subscription price of Euro 47.30) (the "Warrant"), for no additional consideration, to the Investors representing 350% of the invested New Convertible Loan amount (to be allocated pro rata among the Investors) at an exercise price of Euro 0.01 per share, at any time during a period of ten years from the date of issuance. Such warrants' terms include a cashless exercise option. The fair value of such Warrant was approx. Euro 19 million at the issuance date which was recorded within stockholders' equity/(deficit).

On July 15, 2023, the Company and the holders of the Investment Agreement Loan and the New Convertible Loan agreed on the conversion of the outstanding Investment Agreement Loan (Euro 12,750 thousand) and New Convertible Loan (Euro 5,425 thousand) including any accrued interests to date (Euro 1,605 thousand) into Stockholders' equity. The total shares issued in connection with such conversion were 1,270,413. In addition, the outstanding warrants were exercised resulting in the issuance of 1,219,493 shares for a total amount of approx. Euro 19 million.

Interest expense incurred and charged to expense in relation to the Investment Agreement Loan was Euro 190,633 and Euro 461,170 for the three- and nine-months periods ended September 30, 2022, respectively.

Notes payable

On August 30, 2023, EryDel Italy, Inc., an indirect wholly owned subsidiary of Quince, entered into that certain promissory note, (the "Promissory Note") with the Company, pursuant to which EryDel Italy, Inc. promised to make advances to EryDel of up to Euro 0.9 million ($1.0 million).

Under the terms of the Promissory Note, the principal amount of the note shall be made available in two tranches, an initial tranche, in an aggregate amount of $500,000, with an interest rate of 5.07% per annum, and a second tranche, up to an aggregate amount of $500,000, with an annual interest rate equal to Applicable Federal Rate for Annual Compounding Short-Term Debt Instruments as at the funding date of such tranche, to be funded to EryDel during the period commencing September 1, 2023 to October 31, 2023. The first tranche was made during the three months ended September 30, 2023 and the outstanding amount is Euro 463,390 as of September 30, 2023. Interest receivable as of September 30, 2023 was approximately Euro 1,200 ($1,300).

The Promissory Note will mature on July 1, 2024, provided that, subject to certain conditions, in the event that the closing date occurs under the Stock Purchase Agreement on or before December 31, 2023, or the Stock Purchase Agreement is terminated for any reason other than by the Company in certain specified circumstances, all obligations of EryDel and EryDel Italy, Inc. under the Promissory Note shall be deemed to be paid and discharged in full, all unfunded commitments of EryDel Italy, Inc. to make advances under the Promissory Note shall be terminated, and all other obligations of EryDel shall be deemed terminated.

For additional details, refer to Note 13 Subsequent Events.

7. Post-Retirement Benefit Plans

The Company sponsors a defined benefit plan in which the Company's Italian employees participate. Total costs of the defined benefit plan for the three- and nine-months periods ended September 30, 2023 was Euro 3,552 and Euro 9,815, respectively. Total costs of the defined benefit plan for the three- and nine-months periods ended September 30, 2022 was Euro 1,719 and Euro 5,518, respectively.

Changes in obligations of the defined benefit plans are as follows:

	As of September 30, 2023	As of December 31, 2022
Benefit obligation at the beginning of the period	€ 66,859	€ 72,874
Service cost	10,023	7,867
Interest cost	1,820	565
Actuarial loss (gain)	(2,028)	(1,554)
Benefit paid	—	(12,892)
Change in scope of consolidation	—	
Foreign exchange translation reserve	—	
Benefit obligation at the end of the period	€ 76,674	€ 66,859
Of which:		
Current	€ —	€ —
Long-term	€ 76,674	€ 66,859

There are no plan assets servicing the defined benefit plans.

The assumptions used to determine the benefit obligations at year-end are as follows:

	As of September 30, 2023	As of December 31, 2022
Discount rate (1)	4.00%	3.63%
Inflation rate	2.30%	2.30%
Future salary increase	3.00%	3.00%
Employee rotation	15.00%	15.00%

(1) The discount rate is based on Iboxx Corp Index based on the duration of the plan (9 years).

8. Commitments and Contingencies

Commitments

The Company has entered into clinical development contracts with external subcontractors. The Company compensates its suppliers for the services provided on a regular basis. The Company shall not incur material penalty fees for the termination of any of these contracts.

Legal Matters

From time to time, the Company may become involved in claims and other legal matters arising in the ordinary course of business. The Company investigates these claims as they arise. Although claims are inherently unpredictable, the Company currently is not aware of any matters that may have a material adverse effect on the business, financial position, results of operations or cash flows.

9. Stockholders' Equity/(Deficit)

Common Stock

As of September 30, 2023, the subscribed share capital was equal to Euro 4,246,046, divided into 4,241,889 ordinary shares (Class A) with par value equal to Euro 1.00098.

On September 7, 2023, the Shareholders of the Company approved the conversion of all the senior stocks outstanding into such number of ordinary shares (thus acquiring the same rights).

10. Income taxes

The Company has a history of losses and expects to record a loss in 2023.

The Company files income tax returns in the United States and Italy. As of September 30, 2023 and December 31, 2022, the Company recognized a liability for unrecognized tax benefits for Euro 419,463 (of which Euro 42,626 of interests and Euro 76,148 of penalties) and Euro 399,338 (of which Euro 25,044 of interests and Euro 75,639 of penalties), respectively.

The Company does not expect that its unrecognized tax benefits will materially change in the next twelve months.

A valuation allowance is provided for significant deferred tax assets when it is more likely than not that such assets will not be realized through future operations. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has maintained a valuation allowance for the future deferred tax assets.

11. Related parties

There are no transactions with related parties of the Company during the periods presented.

12. Subsequent Events

The Company has evaluated subsequent events through January 4, 2024, which is the date the condensed consolidated financial statements were available to be issued.

On October 20, 2023, Quince completed the acquisition of the Company. Such acquisition was completed pursuant to that certain Stock Purchase Agreement, dated as of July 21, 2023, (the "Purchase Agreement"), by and among Quince, the Company, EryDel US, holders of EryDel capital stock and the managers of EryDel (the "EryDel Shareholders") and Shareholder Representative Services LLC, a Colorado limited liability company solely in its capacity as the representative, agent and attorney-in-fact of the EryDel Shareholders. Pursuant to the terms of the Purchase Agreement, Quince issued 6,525,315 shares of its common stock, approximately equivalent to $6.5 million, to the EryDel Shareholders, resulting in the EryDel Shareholders owning approximately 15.2% of the outstanding common stock Quince. Up to an additional 725,037 shares of Quince's common stock may be issued to the EryDel Shareholders upon the first anniversary of the closing of the acquisition. The EryDel Shareholders have a contingent right to receive up to an aggregate of $485,000,000 in potential cash payments, comprised of up to $5,000,000 upon the achievement of a specified development milestone, $25,000,000 at NDA acceptance by the FDA, up to $60,000,000 upon the achievement of specified approval milestones, and up to $395,000,000 upon the achievement of specified on market and sales milestones, with no royalties paid to EryDel.

In connection with the closing of such acquisition, Quince has agreed to guarantee the obligations of EryDel in respect of the EIB Loan. As of October 20, 2023, approximately Euro 10 million has been disbursed to EryDel. The outstanding principal amount under the EIB Loan will become due and payable at maturity on August 11, 2026 and bears interest at a fixed rate of 9.00% per annum. The EIB Loan may be voluntarily prepaid at any time with at least 60 days' prior notice, subject to a prepayment penalty.

Pursuant to the EIB Loan, the Company and Quince will (i) make representations and warranties to EIB that are customary for facilities similar to the EIB Loan and (ii) become bound by customary affirmative and negative covenants, subject to customary exceptions. Quince, but not the Company, will become subject to a requirement under the EIB Loan to maintain a certain minimum unrestricted balance of cash or cash equivalents during the term of the EIB Loan. A failure by the Company or Quince to comply with any of the covenants applicable to it under the EIB Loan will, either immediately or after the passage of time in the case of those covenants that are subject to a grace period, constitute an event of default under the EIB Loan. Pursuant to the Guarantees, the Company and Quince have agreed to guarantee EryDel's obligations under the EIB Loan, which must be paid to EIB within five (5) business days of written demand therefor from EIB.

Under the Promissory Note entered into on August 30, 2023, discussed in Note 6 Debt, EryDel Italy, Inc. provided the second tranche on October 17, 2023 in an amount of $500,000 with 5.22% annual interest to EryDel. On October 24, 2023, in connection with the EryDel Acquisition, the outstanding principal and accrued interest due under the Promissory Note of approximately $1.0 million in the aggregate was deemed to be paid and discharged in full.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On October 20, 2023, Quince Therapeutics, Inc. (“Quince” or the “Company”) completed its previously announced acquisition (the “EryDel Acquisition”) of EryDel S.p.A. (“EryDel”), pursuant to that certain Stock Purchase Agreement, dated as of July 21, 2023, (the “Purchase Agreement”), by and among the Company, EryDel, EryDel Italy, Inc., holders of EryDel capital stock and the managers of EryDel (the “EryDel Shareholders”) and Shareholder Representative Services LLC, a Colorado limited liability company solely in its capacity as the representative, agent and attorney-in-fact of the EryDel Shareholders.

In connection with the EryDel Acquisition, the Company issued 6,525,315 shares of common stock of the Company to the EryDel Shareholders, resulting in the EryDel Shareholders owning approximately 15.2% of the outstanding common stock of the Company. Up to an additional 725,036 shares of the Company’s common stock may be issued to the EryDel Shareholders upon the first anniversary of the closing of the EryDel Acquisition. The EryDel Shareholders have a contingent right to receive up to an aggregate of $485,000,000 in potential cash payments, comprised of up to $5,000,000 upon the achievement of a specified development milestone, $25,000,000 at NDA acceptance, up to $60,000,000 upon the achievement of specified approval milestones, and up to $395,000,000 upon the achievement of specified on market and sales milestones, with no royalties paid to EryDel.

The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2023 and the year ended December 31, 2022 combines the historical consolidated statements of operations of Quince and EryDel, giving effect to the EryDel Acquisition as if it had occurred on January 1, 2022. The unaudited pro forma condensed combined balance sheet as of September 30, 2023 combines the historical consolidated balance sheets of Quince and EryDel, giving effect to the EryDel Acquisition as if it had occurred on September 30, 2023.

The unaudited pro forma condensed combined financial statements should be read in conjunction with:

- Quince’s audited consolidated financial statements, and related notes thereto, for the year ended December 31, 2022, included in Quince’s Annual Report on Form 10-K for the year ended December 31, 2022;
- Quince’s unaudited condensed consolidated financial statements and accompanying notes as of and for the nine months ended September 30, 2023, included in Quince’s Quarterly Report on Form 10-Q for the period ended September 30, 2023;
- EryDel’s audited financial statements as of and for the year ended December 31, 2022, included as Exhibit 99.1 to this Form 8-K/A;
- EryDel’s unaudited financial statements as of and for the three and nine months ended September 30, 2023 and 2022, included as Exhibit 99.2 to this Form 8-K/A; and
- The accompanying notes to the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial information has been prepared by management in accordance with Article 11, Pro Forma Financial Information, under Regulation S-X of the Exchange Act, and is for illustrative and informational purposes only. The unaudited pro forma condensed combined financial information is not necessarily indicative of what the combined company’s financial position or results of operations actually would have been had the acquisition been consummated as of the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company.

QUINCE THERAPEUTICS, INC., AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF SEPTEMBER 30, 2023
(in thousands, except share and per share amounts)

	Quince	EryDel (a)	Pro Forma Adjustments		Pro Forma Combined Company
ASSETS					
Current assets:					
Cash and cash equivalents	$ 21,632	$ 792	$ (2,654)	**(b)**	$ 19,770
Short term investments	61,593	—	—		61,593
Prepaid expenses and other current assets	1,448	6,053	—		7,501
Note receivable	500	—	(500)	**(c)**	—
Total current assets	85,173	6,845	(3,154)		88,864
Assets held for sale	82	—	—		82
Property and equipment, net	5	236	2	**(d)**	243
Operating lease right-of-use assets, net	48	368	—		416
Intangible asset	—	—	61,115	**(e)**	61,115
Goodwill	—	—	12,410	**(f)**	12,4105
Other assets	78	5,910	—		5,988
Total assets	$ 85,386	$ 13,359	$ 70,373		$ 169,118
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 409	$ 1,816	$ —		$ 2,225
Debt, current	—	491	(491)	**(c)**	—
Contingent liabilities, current	—	—	3,992	**(i)**	3,992
Accrued expenses and other current liabilities	1,844	2,453	1,054	**(g), (j), (h)**	5,351
Short-term lease liability	—	—	68	**(j)**	68
Total current liabilities	2,253	4,760	4,623		11,636
Long-term operating lease liabilities	—	300	—		300
Post-retirement benefit plans	—	67	—		67
Contingent liabilities, non-current	—	—	52,154	**(i)**	52,154
Debt, non-current	—	11,859	2,662	**(k)**	14,521
Other non-current liabilities	—	445	—		445
Total liabilities	2,253	17,431	59,439		79,123
Stockholders' equity:					
Common stock	36	4,498	(4,491)	**(l)**	43
Additional paid in capital	393,331	80,764	(73,599)	**(l)**	400,496
Accumulated other comprehensive income (loss)	516	(177)	177	**(l)**	516
Accumulated deficit	(310,750)	(89,157)	88,847	**(l)**	(311,060)
Total stockholders' equity	83,133	(4,072)	10,934		89,995
Total liabilities and stockholders' equity	$ 85,386	$ 13,359	$ 70,373		$ 169,118

QUINCE THERAPEUTICS, INC., AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(in thousands, except share and per share amounts)

	Quince	EryDel (a)	Pro Forma Adjustments		Pro Forma Combined Company	
Operating expenses:						
Research and development	$ 6,013	$ 2,875	$ —		$ 8,888	
General and administrative	12,786	3,998	17	**(b), (c)**	16,801	
Intangible asset impairment charge	5,900	—	—		5,900	
Total operating expenses	24,699	6,873	17		31,589	
Loss from operations	(24,699)	(6,873)	(17)		(31,589)	
Interest expense	—	(1,443)	—		(1,443)	
Interest income	2,464	—	—		2,464	
Other expense, net	(504)	—	—		(504)	
Net loss before income tax benefit	(22,739)	(8,316)	(17)		(31,072)	
Income tax benefit (loss)	248	(21)	—		227	
Net loss	(22,491)	(8,337)	(17)		(30,845)	
Net loss per share - basic and diluted	$ (0.63)				$ (0.73)	**(d)**
Weighted average shares of common stock outstanding - basic and diluted	35,941,234		6,525,315	**(d)**	42,466,549	**(d)**

QUINCE THERAPEUTICS, INC., AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022
(in thousands, except share and per share amounts)

	Quince	EryDel (a)	Pro Forma Adjustments		Pro Forma Combined Company	
Operating expenses:						
Research and development	$ 25,178	$ 7,204	$ —		$ 32,382	
General and administrative	26,012	4,367	332	**(b), (c)**	30,711	
Goodwill impairment charge	825	—	—		825	
Total operating expenses	52,015	11,571	332		63,918	
Loss from operations	(52,015)	(11,571)	(332)		(63,918)	
Interest expense	—	(1,603)	—		(1,603)	
Interest income	1,068	—	—		1,068	
Other expense, net	(997)	—	—		(997)	
Net loss before income tax benefit	(51,944)	(13,174)	(332)		(65,450)	
Income tax benefit (loss)	284	(81)	—		203	
Net loss	(51,660)	(13,255)	(332)		(65,247)	
Net loss per share - basic and diluted	$ (1.54)				$ (1.63)	**(d)**
Weighted average shares of common stock outstanding - basic and diluted	33,496,534		6,525,315	**(d)**	40,021,849	**(d)**

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Note 1. Basis of Pro Forma Presentation

The acquisition is reflected in the unaudited pro forma condensed combined financial statements as being accounted for under the acquisition method of accounting in accordance with ASC 805, *Business Combinations* (ASC 805). Under the acquisition method, the total estimated purchase price as described in Note 2 is measured at the closing date of the acquisition using the market price of Quince common stock at that time plus the preliminary estimated fair value of other consideration.

Quince has performed a preliminary valuation analysis of the fair value of the EryDel assets to be acquired and liabilities to be assumed and the related allocations of the estimated consideration to such items and conformed the accounting policies of EryDel to its own accounting policies. The unaudited pro forma condensed combined financial statements will differ from ultimate amounts once Quince has determined the final purchase accounting, for a number of reasons, including the fact that the estimates of fair values of assets and liabilities acquired are preliminary and subject to change when the formal valuation and other analyses are finalized. Accordingly, the final allocation of the EryDel Acquisition consideration, which will be determined within the permissible measurement period under ASC 805, and its effect on the results of operations, may differ materially from the estimated allocation and unaudited pro forma combined amounts included herein.

The unaudited pro forma condensed combined financial statements also do not reflect any cost savings or operating synergies that the combined company may achieve as a result of the acquisition, the total expected costs to integrate the operations of Quince and EryDel, or the total expected costs necessary to achieve such cost savings and operating synergies. Although the Company believes that certain cost savings may result from the EryDel Acquisition, there can be no assurance that these cost savings will be achieved.

Note 2. Estimate of Consideration Transferred and Preliminary Purchase Price Allocation

The transaction was accounted for as a business combination in accordance with ASC 805, and as such, assets acquired, liabilities assumed, and consideration transferred were recorded at their estimated fair values on the acquisition date. The fair value of the assets and liabilities in the unaudited pro forma condensed combined financial statements are based upon a preliminary assessment of fair value and may change as valuations for certain tangible assets, intangible assets and contingent liabilities are finalized. The Company expects to finalize the purchase price allocation as soon as practicable, but no longer than one year from the acquisition date. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and the future results of operations and financial position of the combined company.

The fair value of the consideration totaled $66.0 million, summarized as follows (in thousands):

	Fair Value of Consideration
Cash [(a)]	$ 2,654
Value of Quince common stock[(b)]	7,172
Contingent earn-out[(c)]	56,146
Fair value of total consideration transferred	$ 65,972

(a) Includes $2.7 million of seller expense paid by Quince on behalf of EryDel.

(b) Pursuant to the stock purchase agreement, the aggregate stock consideration at closing consisted of 7,250,351 shares of Quince common stock valued at $0.989 per share on October 20, 2023. At closing, we withheld 725,036 shares of common stock (the "Indemnity Holdback Shares"), which such Indemnity Holdback Shares shall be withheld, issued, and released to the Shareholder upon the first anniversary of the close of acquisition to the extent provided in the stock purchase agreement if not cancelled in satisfaction of the Shareholders' indemnification obligations, if any. The pro forma financial statements reflect the fair value of the Indemnity Holdback Shares within equity. The Company is still in the process of completing its accounting analysis of the Holdback shares and their classification within its financial statements. Accordingly, the accounting for such shares is subject to change.

(c) Contingent earn-out related to Shareholders' contingent right to receive up to an aggregate of $485,000,000 in potential cash payments upon certain milestones related to development and sales milestones. The fair value of the contingent earn-out is estimated based on the expected earnout payment adjusted for probabilities and then discounted with a discount factor that accounts for the ability to pay and the time value of money

The following table summarizes the preliminary allocation of the consideration paid for EryDel to the preliminary estimated fair value of the assets acquired and liabilities assumed at the acquisition date, with the excess recorded to goodwill (in thousands).

Preliminary estimate of the assets acquired and liabilities assumed		Estimated Fair Value
Assets acquired:		
Cash	$	561
Tax assets		4,911
Other current assets		1,189
Property and equipment, net		238
Operating lease right-of-use assets, net		364
Other non-current assets		5,902
Intangible assets		61,115
Goodwill		12,410
Total assets acquired		86,690
Liabilities assumed:		
Trade payables		(2,395)
Accrued expenses and other current liabilities		(3,428)
Debt, non-current		(14,521)
Other non-current liabilities		(374)
Total liabilities assumed		(20,718)
Fair value of total consideration transferred	$	65,972

The preliminary purchase price allocation above, which is as of the acquisition date of October 20, 2023 has been used to prepare the transaction accounting adjustments in the unaudited pro forma condensed combined balance sheet and unaudited pro forma condensed combined statement of operations.

Based on the preliminary results of the valuation analysis, Quince has allocated approximately $61.1 million of the purchase price to identifiable intangible assets. The following table summarizes the major classes of intangible assets, the respective weighted-average amortization periods, and pro forma amortization:

				Pro Forma Amortization			
	Estimated Fair Value (in thousands)		Weighted Average Amortization Period (Years)	Year ended December 31, 2022 (in thousands)		Nine months ended September 30, 2023 (in thousands)	
Identifiable Intangible Assets							
IPR&D (a)	$	60,655	Indefinite	$	—	$	—
Tradename		460	21		22		17
	$	61,115		$	22	$	17

(a) In Process research and development ("IPR&D") assets are initially recognized at fair value and are classified as indefinite lived assets until the successful completion or abandonment of the associated research and development efforts. Accordingly, during the research and development period after consummation of the acquisition, these assets will not be amortized. Such IPR&D projects will become amortizable when applicable products, which are currently in various stages of development, are complete.

The fair values of assets acquired and liabilities assumed are based on preliminary estimates of fair values as of the acquisition date. Management believes the fair values recognized for the assets acquired and liabilities assumed are based on reasonable estimates and assumptions. Preliminary fair value estimates may change as additional information becomes available. There can be no assurance that the final determination will not result in material changes from these preliminary amounts. Amounts preliminarily allocated to intangible assets and goodwill may change significantly, and amortization methods and useful lives may differ from the assumptions that have been used in this unaudited pro forma combined condensed financial information, any of which could result in a material change in operating expenses.

Note 3. Pro Forma Adjustments

The pro forma adjustments are based on the Company's preliminary estimates and assumptions that are subject to change. The following adjustments have been reflected in the Pro Forma Financial Statements:

Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2023

(a) Reflects the unaudited consolidated balance sheet for EryDel as of September 30, 2023. The unaudited consolidated financial statements of EryDel are presented in euros, its reporting currency. The following summarizes currency exchange rates used to translate financial information from euro to U.S. dollar:

Spot rate September 30, 2023	1.0594

(b) Reflects an adjustment to cash on hand that is payable upon consummation of the acquisition as follows: (i) $2,626 thousand representing the seller's expense paid by Quince, on behalf of EryDel; and (ii) $28 thousand representing the cash consideration for the EryDel USA, Inc. subsidiary.

(c) Represents the adjustment to eliminate the promissory note between Quince and EryDel's historical unaudited balance sheet as a result of purchase accounting.

(d) Represents the adjustment of $2 thousand to record the property, plant and equipment acquired at their estimated fair value.

(e) Represents the adjustment to record the intangible assets at their estimated fair value of $61,115 thousand. See Note 2 for further details.

(f) Represents the adjustment to record the purchase price paid in excess of the preliminary estimated fair value of assets acquired and liabilities assumed. See Note 2 for further details on the purchase price allocation and goodwill.

(g) Represents the adjustments related to acquisition-related cost incurred after September 30, 2023, reflected in increased Accrued expenses and other current liabilities of $310 thousand.

(h) Represents the adjustment to record fair value to Accrued expenses and other current liabilities of $812 thousand.

(i) Represents the adjustment to record the estimated fair value of the contingent earn-out of $56,146 thousand, comprised of $3,992 thousand current and $52,154 thousand non-current.

(j) Reflects a reclassification adjustment to decrease Accrued expenses and other current liabilities and increase Short-term lease liability for presentation purposes, $68 thousand.

(k) Represents the fair value adjustment associated with debt assumed in the EryDel Acquisition, including additional remuneration of $2,662 thousand.

(l) Reflects adjustments to eliminate EryDel's historical equity balances and record estimated consideration at fair value (in thousands):

Common stock issued as part of equity consideration of the acquisition	$ 7
Elimination of EryDel historical common stock	(4,498)
Pro forma adjustment to common stock	$ (4,491)
Equity consideration recorded as paid-in capital in excess of par value	$ 7,165
Elimination of EryDel historical paid-in capital in excess of par value	(80,764)
Pro forma adjustment to paid-in capital in excess of par value	$(73,599)
Elimination of EryDel historical accumulated other comprehensive loss	$ 177
Pro forma adjustment to accumulated other comprehensive loss	$ 177
Acquisition expenses	(310)
Elimination of EryDel historical beginning accumulated deficit	89,157
Pro forma adjustment to accumulated deficit	$ 88,847

Unaudited Pro Forma Condensed Combined Statement of Operations and Comprehensive Loss for the Nine Months Ended September 30, 2023 and the Year Ended December 31, 2022

(a) Reflects the unaudited consolidated statement of operations and comprehensive loss for EryDel for the period ended September 30, 2023 and the audited consolidated financial statements for EryDel for the year ended December 31, 2022. The historical consolidated financial statements of EryDel are presented in euros, its reporting currency. The following table summarizes currency exchange rates used to translate historical financial information from euro to U.S. dollar:

Average rate nine months ended September 30, 2023	1.0833
Average rate 2022	1.0530

(b) Reflects the adjustments of $17 thousand for the nine months ended September 30, 2023 and $22 thousand for the year ended December 31, 2022 and to reflect the estimate of intangible asset amortization based on the specific useful life assigned to the definite-lived intangible asset (21 years).

(c) Reflects the acquisition-related costs incurred by Quince subsequent to September 30, 2023 and are reflected in (1) accumulated deficit and accrued expenses in the pro forma balance sheet and (2) general and administrative expenses in the pro forma statement of operations for the year ended December 31, 2022. These transaction costs will not recur in the combined Quince's statement of operations beyond 12 months after the transaction.

(d) Reflects the issuance of 6,525,315 shares of Quince common stock to EryDel shareholders as part of the stock purchase agreement. The 725,036 Indemnity Holdback Shares have been excluded from basic and diluted EPS as the conditions for their release will not be met until the first anniversary of the close of acquisition to the extent provided in the stock purchase agreement to satisfy the Shareholders' indemnification obligations, if any.

	Nine Months Ended September 30, 2023		**Year Ended December 31, 2022**	
	Basic	Diluted	Basic	Diluted
Quince weighted-average shares outstanding	35,941,234	35,941,234	33,496,534	33,496,534
New Quince shares issued	6,525,315	6,525,315	6,525,315	6,525,315
Pro forma combined shares outstanding	42,466,549	42,466,549	40,021,849	40,021,849