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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-37471

PIERIS PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Nevada	**30-0784346**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
255 State Street, 9th Floor Boston, MA United States	
(Address of principal executive offices)	**02109 (Zip Code)**

857-246-8998
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The number of outstanding shares of the registrant's common stock, par value $0.001 per share, as of November 7, 2016 was 43,058,827.

PIERIS PHARMACEUTICALS, INC.
FORM 10-Q — QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED September 30, 2016
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Currency Presentation and Currency Translation

Unless otherwise indicated, all references to "dollars," "$," "U.S. $" or "U.S. dollars" are to the lawful currency of the United States. All references in this Report to "euro" or "€" are to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended. We prepare our financial statements in U.S. dollars.

The functional currency for most of our operations is the euro. With respect to our financial statements, the translation from the euro to U.S. Dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. The resulting translation adjustments are recorded as a component of other comprehensive income.

Where in this Report we refer to amounts in euros, we have for your convenience also in certain cases provided a conversion of those amounts to U.S. Dollars in parentheses. Where the numbers refer to a specific balance sheet account date or financial statement account period, we have used the exchange rate that was used to perform the conversions in connection with the applicable financial statement. In all other instances, unless otherwise indicated, the conversions have been made using the noon buying rate of €1.00 to U.S. $1.12105 based on www.oanda.com as of September 30, 2016.

Forward Looking Statements

This section and other parts of this Quarterly Report on Form 10-Q contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve risks and uncertainties, principally in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." All statements other than statements of historical fact contained in this Quarterly Report on Form 10-Q, including statements regarding future events, our future financial performance, expectations for growth and revenues, anticipated timing and amounts of milestone and other payments under collaboration agreements, business strategy and plans, objectives of management for future operations, timing and outcome of legal and other proceedings, and our ability to finance our operations are forward-looking statements. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "ongoing," "could," "estimates," "expects," "intends," "may," "appears," "future," "likely," "plans," "potential," "projects," "predicts," "should," "would," or "will" or the negative of these terms or other comparable terminology. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under "Risk Factors" or elsewhere in our most recent Annual Report on Form 10-K, which may cause our or our industry's actual results, levels of activity, performance or achievements expressed or implied by these forward-looking statements to differ materially.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements. Actual results could differ materially from our forward-looking statements due to a number of factors, including, without limitation, risks related to: the results of our research and development activities, including uncertainties relating to the discovery of potential drug candidates and the preclinical and ongoing or planned clinical testing of our drug candidates; the early stage of our drug candidates presently under development; our ability to obtain and, if obtained, maintain regulatory approval of our current drug candidates and any of our other future drug candidates; our need for substantial additional funds in order to continue our operations and the uncertainty of whether we will be able to obtain the funding we need; our future financial performance; our ability to retain or hire key scientific or management personnel; our ability to protect our intellectual property rights that are valuable to our business, including patent and other intellectual property rights; our dependence on third-party manufacturers, suppliers, research organizations, testing laboratories and other potential collaborators; our ability to successfully market and sell our drug candidates in the future as needed; the size and growth of the potential markets for any of our approved drug candidates, and the rate and degree of market acceptance of any of our approved drug candidates; competition in our industry; and regulatory developments in the U.S. and foreign countries.

You should not place undue reliance on any forward-looking statement, each of which applies only as of the date of this Quarterly Report on Form 10-Q. Before you invest in our securities, you should be aware that the occurrence of the events described in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the year ended December 31, 2015 filed on March 23, 2016 could negatively affect our business, operating results, financial condition and stock price. All forward-looking statements included in this document are based on information available to us on the date hereof, and except as required by law, we undertake no obligation to update or revise publicly any of the forward-looking statements after the date of this Quarterly Report on Form 10-Q to conform our statements to actual results or changed expectations.

PART I — FINANCIAL INFORMATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2016 (unaudited)	December 31, 2015
Assets		
Current assets:		
Cash	$ 36,557,701	$ 29,349,124
Prepaid expenses and other current assets	4,579,659	2,311,385
Total current assets	41,137,360	31,660,509
Property and equipment, net	2,447,733	2,162,771
Other non-current assets	127,626	126,781
Total assets	$ 43,712,719	$ 33,950,061
Liabilities and Stockholders´ Equity		
Current liabilities:		
Trade accounts payable	$ 4,523,798	$ 1,058,536
Accrued expenses and other current liabilities	2,898,388	1,739,380
Deferred revenues, current portion	2,529,661	—
Total current liabilities	9,951,847	2,797,916
Deferred revenue, net of current portion	2,233,834	—
Other long-term liabilities	44,565	23,852
Total liabilities	12,230,246	2,821,768
Stockholders' equity:		
Common stock, $0.001 par value per share, 300,000,000 shares authorized and 43,058,827 and 39,833,023 issued and outstanding at September 30, 2016 and December 31, 2015	43,059	39,833
Preferred stock, $0.001 par value per share, 4,963 shares authorized and 4,963 and zero issued and outstanding at September 30, 2016 and December 31, 2015	5	—
Additional paid-in capital	128,870,853	112,226,723
Accumulated other comprehensive loss	(1,325,104)	(1,272,574)
Accumulated deficit	(96,106,340)	(79,865,689)
Total stockholders' equity	31,482,473	31,128,293
Total liabilities and stockholders' equity	$ 43,712,719	$ 33,950,061

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Revenue	$ 785,007	$ 414,610	$ 3,104,513	$ 792,474
Operating expenses				
Research and development	4,621,957	2,051,688	12,781,489	5,301,911
General and administrative	2,341,010	2,242,804	6,677,110	6,606,209
Total operating expenses	6,962,967	4,294,492	19,458,599	11,908,120
Loss from operations	(6,177,960)	(3,879,882)	(16,354,086)	(11,115,646)
Interest (expense), net	—	—	—	(4,223)
Other income, net	(18,243)	(1,929)	113,575	3,325
Loss before income taxes	(6,196,203)	(3,881,811)	(16,240,511)	(11,116,544)
Provision/(benefit) for income tax	—	(40,441)	—	(40,441)
Net Loss	$ (6,196,203)	$ (3,922,252)	$ (16,240,511)	$ (11,156,985)
Net loss per share				
Basic and diluted	$ (0.14)	$ (0.10)	$ (0.39)	$ (0.34)
Weighted average number of common shares outstanding				
Basic and diluted	43,063,790	38,890,546	41,259,749	32,584,354

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net loss	$ 6,196,203	$ 3,922,252	$ 16,240,511	$ 11,156,985
Other comprehensive income/(loss) components:				
Foreign currency translation	670	193,415	(52,530)	(307,182)
Total other comprehensive income/(loss)	670	193,415	(52,530)	(307,182)
Comprehensive loss	$ 6,195,533	$ 3,728,837	$ 16,293,041	$ 11,464,167

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine months ended September 30, 2016	2015
Operating activities:		
Net loss	$(16,240,511)	$(11,156,985)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	175,387	234,066
Stock-based compensation	1,426,341	823,164
Non-cash restricted shares	—	446,400
Non-cash consulting shares	—	75,000
Changes in operating assets and liabilities:		
Trade accounts receivable	—	(17,328)
Prepaid expenses and other assets	(2,161,864)	(768,982)
Deferred Revenue	4,698,803	—
Trade accounts payable	3,304,055	(49,427)
Accrued expenses and other current liabilities	1,139,045	190,549
Income taxes	—	10,109
Net cash provided by (used in) operating activities	(7,658,745)	(10,213,434)
Investing activities:		
Purchase of property and equipment	(322,706)	(269,265)
Net cash used in investing activities	(322,706)	(269,265)
Financing activities:		
Issuance of Common and Preferred Stock, net of issuance costs	15,221,021	25,763,960
Repayment of debt	—	(1,157,940)
Net cash used in financing activities	15,221,021	24,606,020
Effect of exchange rate change on cash and cash equivalents	(30,993)	(342,653)
Net increase in cash and cash equivalents	7,208,577	13,780,668
Cash and cash equivalents at beginning of year	29,349,124	18,474,211
Cash and cash equivalents at end of year	$ 36,557,701	$ 32,254,879
Supplemental cash flow disclosures:		
Cash paid for interest	$ —	$ 4,181
Cash paid for tax	$ —	$ 40,441
Property and equipment, included in accounts payable	$ 83,435	$ —

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Interim Consolidated Financial Statements

The accompanying unaudited interim condensed consolidated financial statements of Pieris Pharmaceuticals, Inc. ("Pieris" or the "Company") were prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information. All significant intercompany balances and transactions have been eliminated in the consolidation. Certain information and footnotes normally included in financial statement prepared in accordance with U.S. GAAP have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete annual consolidated financial statements. It is recommended that these financial statements be read in conjunction with the consolidated financial statements and related footnotes that appear in the Annual Report on Form 10-K of the Company for the year ended December 31, 2015 filed with the SEC on March 23, 2016 (the "2015 Annual Report").

In the opinion of management, the unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited condensed consolidated financial statements for the year ending December 31, 2015, and all adjustments, including normal recurring adjustments, considered necessary for the fair presentation of the Company's unaudited interim consolidated financial statements have been included. The results of operations for the nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016 or any future period.

Use of estimates

The preparation of the condensed consolidated financial statements in accordance with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses in the financial statements and disclosures in the accompanying notes. Significant estimates are used for, but are not limited to, revenue recognition, deferred tax assets, liabilities and valuation allowances, fair value of stock options and various accruals. Management evaluates its estimates on an ongoing basis. Actual results and outcomes could differ materially from management's estimates, judgments and assumptions.

2. Critical Accounting Policies

Research and development expenses

Research and development expenses are charged to the statement of operations as incurred. Research and development expenses are comprised of costs incurred in performing research and development activities, including salaries and benefits, facilities costs, pre-clinical and clinical costs, contract services, consulting, depreciation and amortization expense, and other related costs. Costs associated with acquired technology, in the form of upfront fees or milestone payments, are charged to research and development expense as incurred.

3. Revenues

General

Pieris, to date has not generated revenues from product sales. Pieris has generated revenues pursuant to (i) license and collaboration agreements, which include upfront payments for licenses or options to obtain licenses, payments for research and development services and milestone payments, and (ii) government grants.

Multiple element arrangements, such as license and development arrangements are analyzed to determine whether the deliverables, which often include a license and performance obligations such as research and steering committee services, can be separated or whether they must be accounted for as a single unit of accounting in accordance with generally accepted accounting principles, or U.S. GAAP. The Company recognizes up-front license payments as revenue upon delivery of the license only if the license has stand-alone value. If the license is considered to not have stand-alone value, the arrangement would then be accounted for as a single unit of accounting and the license payments and payments for performance obligations are recognized as revenue over the estimated period of when the performance obligations are performed.

If the Company is involved in a steering committee as part of a multiple element arrangement, the Company assesses whether its involvement constitutes a performance obligation or a right to participate. Steering committee services that are determined to be performance obligations are combined with other research services or performance obligations required under an arrangement, if any, in determining the level of effort required in an arrangement and the period over which the Company expects to complete its aggregate performance obligations.

Whenever the Company determines that an arrangement should be accounted for as a single unit of accounting, it must determine the period over which the performance obligations will be performed and revenue will be recognized. Revenue will be recognized using either a relative performance or straight-line method. The Company recognizes revenue using the relative performance method provided that the Company can reasonably estimate the level of effort required to complete its performance obligations under an arrangement and such performance obligations are provided on a best-efforts basis. Full-time equivalents are typically used as the measure of performance.

If the Company cannot reasonably estimate when its performance obligation either ceases or becomes inconsequential and perfunctory, then revenue is deferred until the Company can reasonably estimate when the performance obligation ceases or becomes inconsequential. Revenue is then recognized over the remaining estimated period of performance.

Significant management judgment is required in determining the level of effort required under an arrangement and the period over which the Company is expected to complete its performance obligations under an arrangement.

F.Hoffmann-La Roche Ltd. and Hoffmann- La Roche Inc.

In December 2015, the Company entered into a Research Collaboration and License Agreement (the “Roche Agreement”) with F.Hoffmann- La Roche Ltd. and Hoffmann- La Roche Inc., (“Roche”), for the research, development, and commercialization of Anticalin-based drug candidates against a predefined, undisclosed target in cancer immune therapy. The parties will jointly pursue a preclinical research program with respect to the identification and generation of Anticalin proteins that bind to a specific target for an expected period of 20 months, which may be extended by Roche for up to an additional 12 months. Roche has the ability to continue exclusivity rights for up to an additional 5 years. Both Roche and the Company will participate in a joint research committee in connection with this agreement. Following the research program, Roche will be responsible for subsequent pre-clinical and clinical development of any product developed through the research plan and will have worldwide commercialization rights to any such product.

Roche has paid $6.5 million of an upfront payment for the research collaboration. Additionally, Roche will pay Pieris for research services provided by Pieris in conjunction with the research program. Roche will also pay Pieris for certain milestones relating to development, regulatory, and sales milestones as they are achieved.

Pieris recorded $0.8 million and $3.1 million in revenue for the three and nine months ended September 30, 2016, respectively, related to the recognition of the upfront Roche payment during those periods. Revenue recognized is associated with the portion of the research services performed during the periods as well as the value of research services provided by Pieris in connection with the ongoing research program. No revenues were recorded for the three and nine months ended September 30, 2015.

The Company identified the research and commercial licenses, performance of R&D services, and participation in the joint research committee as deliverables under the Roche Agreement. For revenue recognition purposes, management has determined that there are two units of accounting at the inception of the agreement representing (i) the research and commercial licenses and the performance of R&D services which do not have standalone value, and (ii) the participation in the joint research committee.

In addition to the upfront payment, under the Roche Agreement, the Company is eligible to receive research funding, development and regulatory, and sales based milestone payments up to approximately $420.6 million, plus royalties on future sales of any commercial products. The total potential milestones are categorized as follows: development and regulatory milestones—$292.0 million; and sales milestones—$123.8 million. Management has determined that the development milestones are not substantive because they do not relate solely to past performance of the Company and the Company’s involvement in the achievement is limited to progress reports and other updates. Non-substantive milestones will be recognized when achieved to the extent the Company has no remaining performance obligations under the arrangement.

4. Net Loss per Common Share

Basic net loss per share was determined by dividing net loss by the weighted average common shares outstanding during the period. Diluted net loss per share was determined by dividing net loss by diluted weighted average shares outstanding. Diluted weighted average shares reflect the dilutive effect, if any, of common stock options based on the treasury stock method.

For all financial statement periods presented the number of basic and diluted weighted average shares outstanding was the same because any increase in the number of shares of common stock equivalents for any period presented would be antidilutive based on the net loss for the period.

For the nine months ended September 30, 2016 and 2015, approximately 7.4 million and 0.9 million weighted average shares subject to stock options and warrants, respectively, as calculated using the treasury stock method, were excluded from the calculation of diluted weighted average common shares outstanding as their effect would have been antidilutive.

5. Fair Value Measurement

ASC Topic 820 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Pieris applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The standard describes the following fair value hierarchy based on three levels of input, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 utilizes quoted market prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date.

For the periods presented in these interim financial statements, Pieris has no cash equivalents and debt instruments as of each balance sheet date presented.

All other current assets and current liabilities on our consolidated balance sheets approximate their respective carrying amounts.

6. Related-Party Transactions

Research and License Agreement with Technische Universität München (“TUM”)

On July 4, 2003, the Company entered into a research and licensing agreement with TUM, which was subsequently renewed and, on July 26, 2007, superseded and replaced. The agreement established a joint research effort led by Prof. Arne Skerra, Chair of Biological Chemistry of TUM, to optimize Anticalin technologies for use in therapeutic, prophylactic and diagnostic applications and as research reagents, and to gain fundamental insights in lipocalin scaffolds. Prof. Dr. Skerra was a member of the Company´s supervisory board when the parties entered into such agreement and during the period covered by the consolidated financial statements in this report. The Company provided certain funding for TUM research efforts performed under the agreement.

As a result of research efforts to date under the agreement, the Company holds a worldwide exclusive license under its license agreement with TUM to multiple patents and patent applications, including an exclusive license to an issued U.S. patent, which patent will expire in 2027 (subject to a possible term adjustment period). The Company also holds an exclusive license to an issued U.S. patent No. 8,420,051, which patent is expected to expire in 2029. The Company bears the costs of filing, prosecution and maintenance of patents assigned or licensed to the Company under the agreement.

As consideration for the assigned patents and licenses above, the Company is required to pay certain development milestones to TUM. The Company also is obliged to pay low-single-digit royalties, including annual minimum royalties, on sales of such products incorporating patented technologies. If the Company grants licenses or sublicenses to those patents to third parties, the Company will be obliged to pay a percentage of the resulting revenue to TUM. The Company’s payment obligations are reduced by the Company’s proportionate contribution to a joint invention. Payment obligations terminate on expiration or annulment of the last patent covered by the agreement. The Company can terminate the licenses to any or all licensed patents upon specified advance notice to TUM. TUM may terminate the license provisions of the agreement only for cause. Termination of the agreement does not terminate the rights in patents assigned to the Company.

Effective as of the fourth quarter of 2015, Pieris no longer deems TUM a related party due to Prof. Dr. Skerra no longer having a supervisory board position in Pieris GmbH or other direct relationship with the Company since its initial public offering in December 2014. Therefore no expenses to TUM as a related party were incurred during the three and nine months ended September 30, 2016. The Company incurred expenses related to TUM as a related party of approximately $14,000 and $42,000 for the three and nine months ended September 30, 2015.

Consulting Contract between Prof. Dr. Arne Skerra and Pieris AG

In 2001, the Company entered into a Consulting Agreement with Prof. Dr. Arne Skerra, pursuant to which Prof. Dr. Arne Skerra provides advice regarding the use of new proteins, in particular Anticalin proteins and antibodies, for the purpose of research and development. As of the fourth quarter of 2015, Pieris no longer deemed Prof. Dr. Skerra a related party due to Prof. Dr. Skerra no longer having a supervisory board position in Pieris GmbH or other direct relationship with the Company after its initial public offering in December 2014. Therefore no expenses to Prof. Dr. Skerra, as a related party, were incurred during the three and nine months ended September 30, 2016. The Company incurred and paid to Prof. Dr. Skerra consulting fees of approximately $6,000 and $17,000 for the three and nine months ended September 30, 2015.

7. Accrued expenses

The Company has recorded the following accrued expenses as of September 30, 2016 and December 31, 2015, respectively:

	September 30, 2016	December 31, 2015
Accrued expenses		
Accrued compensation expense	$ 983,951	$ 704,597
Accrued audit and tax fees	394,414	179,223
Accrued professional fees	360,200	194,790
Accrued R&D fees	1,019,024	466,076
Accrued other	140,799	194,694
Total amount of accrued expenses	$ 2,898,388	$ 1,739,380

8. Stock-based compensation

2014 Stock Plan

Pieris granted 1,157,734 options to employees, consultants, and directors under its 2014 Employee, Director and Consultant Equity Incentive Plan, (the “2014 Plan”) during the nine months ended September 30, 2016. Pieris granted 116,027 and 663,262 options to employees, consultants, and directors under the 2014 Employee, Director and Consultant Equity Incentive Plan, (the “Plan”) during the three and nine months ended September 30, 2015, respectively.

During the three months ended September 30, 2015 the Company granted an option to purchase 500,000 shares outside of the Plan to a newly-hired executive officer that was an inducement and material to the executive officer entering into employment with the Company. The compensation expense associated with this inducement option was $32,133 and is included in research and development expense for both the three and nine months periods ended September 30, 2015.

The 2014 Plan was terminated on June 28, 2016 when the Company adopted its 2016 Employee, Director and Consultant Equity Incentive Plan, (the “2016 Plan”). Therefore no options were granted for the three months ended September 30, 2016 under the 2014 Plan.

2016 Stock Plan

In June 2016, the Company adopted the 2016 Plan which provides for the grant of stock options, restricted and unrestricted stock awards, and other stock-based awards to employees of the Company, non-employee directors of the Company, and certain other consultants performing services for the Company as designated by the Compensation Committee of the Board of Directors or the Board of Directors.

The vesting periods of equity incentives issued under the 2016 Plan are determined by the Compensation Committee of the Company’s Board of Directors, with stock options generally vesting over a four-year period. In September 2015, a stock option to purchase 450,000 shares of the Company’s common stock, par value $0.001 (the “Common Stock”), was granted to a newly–hired executive officer subject to certain restrictions on exercise that required the Company’s shareholders to approve an increase in the

number of shares authorized under the 2014 Plan. Upon the Company's adoption of the 2016 Plan, this stock option was amended and issued under the 2016 Plan; the total shares available under the 2016 Plan reflects the issuance of this option. The Company granted 114,378 options to employees and directors under the 2016 Plan during the three and nine months ended September 30, 2016. No options were granted under the 2016 Plan during the three and nine months ended September 30, 2015. As of September 30, 2016, there were 3,275,622 shares available for future grant under the 2016 Plan. The shares available for future grant under the 2016 Plan include 90,000 shares which were forfeited during the three months ended September 30, 2016 under the 2014 Plan. These forfeited shares were added to the 2016 Plan.

Stock-based compensation expense for the three and nine months ended September 30, 2016 was $0.4 million and $1.4 million, respectively, and was $0.3 million and $0.8 million for the three and nine months ended September 30, 2015, respectively.

Total stock-based compensation expense was recorded to operating expenses based upon the functional responsibilities of the individuals holding the respective options as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Research and Development	$ 142,254	$ 88,176	$ 444,193	$ 217,766
General and administrative	303,859	249,613	982,148	605,398
Total stock-option expense	$ 446,113	$ 337,789	$ 1,426,341	$ 823,164

There were no options exercised during the three and nine months ended September 30, 2016 and 2015, respectively.

The Company uses the Black-Scholes option pricing model to determine the estimated fair value for stock-based awards. Option-pricing models require the input of various subjective assumptions, including the option's expected life, expected dividend yield, price volatility, risk free interest rate, and forfeitures of the underlying stock. Accordingly, the weighted-average fair value of the options granted during the three and nine months ended September 30, 2016 was $1.05 and $1.01, respectively. The weighted-average fair value of the options granted during the three and nine months ended September 30, 2015 was $1.95 and $1.94, respectively. The calculation was based on the following assumptions:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Dividend yield	0.0%	0.0%	0.0%	0.0%
Expected volatility	74.9% - 75.12%	72.65% - 73.43%	74.90% - 76.00%	72.65% - 75.07%
Weighted average risk-free interest rate	1.25% - 1.35%	1.69% - 1.89%	1.13% - 1.61%	1.49% - 1.89%
Expected term	5.0 - 5.7 years	5.0 - 6.1 years	5.0 - 5.7 years	5.0 - 6.1 years

Option-pricing models require the input of various subjective assumptions, including the option´s expected life and the price volatility of the underlying stock. Pieris' estimated expected stock price volatility is based on the average volatilities of other guideline companies in the same industry. Pieris' expected term of options granted during the three and nine months ended September 30, 2016 and 2015, respectively was derived using the SEC's simplified method. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The Company's stock options have a maximum term of ten years from the date of grant. Stock options granted under the 2016 Plan may be either incentive stock options ("ISOs"), or nonqualified stock options. The exercise price of stock options granted under the 2016 Plan must be at least equal to the fair market value of the common stock on the date of grant.

9. Consulting Shares

Del Mar Consulting Group & Alex Partners

In March 2015, the Company entered into an independent consulting agreement (the "Consulting Agreement") with the Del Mar Consulting Group, Inc. and Alex Partners, LLC (the "Consultants"), pursuant to which the Company issued 150,000 shares of common stock, to the Consultants (the "Consulting Shares"). The Company agreed to retain the Consultants to provide investor relations consulting to the Company for a period commencing on March 6, 2015 (the "Commencement Date") and ending thirteen months after the Commencement Date (such period, the "Term"). The shares issued in connection with the Consulting Agreement were deemed to be exempt from registration in reliance upon Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving any public offering.

The Company recognized expenses in connection with the issuance of the Consulting Shares of $0.1 million and $0.4 million for the three and nine months ended September 30, 2015 in general and administrative expenses. No expenses were recognized during the 2016 period as the remaining shares vested on September 2, 2015 and the remaining expense was recorded based on the fair value of the shares on that date.

Aquilo Partners

In September 2015, the Company entered into a Letter agreement (the "Letter Agreement") with Aquilo Partners, L.P. ("Aquilo Partners") pursuant to which the Company recorded a cash retainer fee of $0.1 million and issued 27,272 shares of the Company´s common stock at a price of $2.75 per share.

10. Public Offering

In July 2015, the Company closed a public offering of an aggregate of 9,090,909 shares of the Company´s common stock at a purchase price of $2.75 per share. All shares of common stock were offered by the Company. On July 24, 2015 the underwriters exercised their over-allotment option to purchase 1,211,827 additional shares of the Company´s common stock at the public offering price of $2.75, the sale of which closed on July 28, 2015.

Gross proceeds raised by the Company in the offering, including the exercise of the over-allotment option, were $28.3 million and net of equity issuance costs were $25.8 million.

11. Private Placement

In June 2016, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") for a private placement of the Company's securities with a select group of institutional investors (the "2016 PIPE"). The 2016 PIPE sale transaction, by the Company, consisted of 8,188,804 units at a price of $2.015 per unit for gross proceeds, to the Company, of approximately $16.5 million. After deducting for placement agent fees and offering expenses, the aggregate net proceeds from the private placement was approximately $15.3 million.

Each unit consisted of (i) one share of the Company's Common Stock or non-voting series A convertible preferred stock (the "Series A Convertible Preferred Stock") which are convertible into one share of common stock, (ii) one warrant to purchase 0.4 shares of Common Stock at an exercise price of $2.00 per share and (iii) one warrant to purchase 0.2 shares of Common Stock at an exercise price of $3.00 per share. The warrants will be exercisable for a period of five years from the date of issuance. Each share of Series A Convertible Preferred Stock was issued at a price of $2.015 per share, and is convertible into 1,000 shares of common stock, provided the holder and/or its affiliates do not own greater than 9.99% of the total number of Pieris common stock then outstanding. The Series A Convertible Preferred Stock has no registration or voting rights. In event of a true liquidation or winding down of the business, holders of Series A Convertible Preferred Stock will be paid prior to the holders of Common Stock. In connection with the 2016 PIPE, the Company issued 3,225,804 shares of Common Stock and 4,963 shares of Series A Convertible Preferred Stock to the 2016 PIPE investors.

The Company expects to use the proceeds from the 2016 PIPE towards further development and pre-clinical and clinical work of the Company´s proprietary Anticalin® product portfolio, including the lead candidates, as well as the development of other programs and product candidates, and general corporate purposes.

12. License and Transfer Agreement

On April 18, 2016 the Company entered into a license and transfer agreement (the "Original Agreement") with Enumeral Biomedical Holdings, Inc. ("Enumeral"), pursuant to which the Company acquired a non-exclusive worldwide license to use specified patent rights and know-how owned by Enumeral to research, develop and market fusion protein. As contemplated by the terms of the Original Agreement, the Company entered into a definitive license and transfer agreement (the "Definitive Agreement") with Enumeral on June 6, 2016, to expand the scope of the Company's option to license additional antibodies from Enumeral. Under the Definitive Agreement, Enumeral has granted Pieris options to license two additional undisclosed Enumeral antibodies (each, a "Subsequent Option"); the Subsequent Options expire on May 31, 2017. If Pieris licenses an additional antibody pursuant to a Subsequent Option, Pieris must pay, to Enumeral, an additional undisclosed option exercise payment; any resulting fusion protein products will be subject to royalties and development and sales milestones in the same amounts applicable to the fusion proteins consisting of an Enumeral's PD-1 antibody linked to one or more Anticalin® proteins.

Under the terms of the Original Agreement, the Company agreed to pay Enumeral an upfront license fee of $250,000 upon signing in April 2016 and subsequently elected to pay a $750,000 maintenance fee in May 2016. The terms of the Definitive Agreement, were essentially unchanged from the Original Agreement, the Company has agreed to pay Enumeral development milestones up to an aggregate of $37.8 million and sales milestones up to an aggregate of $67.5 million. Consistent with the terms of the Original Agreement, the Company also agreed to pay Enumeral royalties within a range in the low to lower-middle single digits as a percentage of net sales depending on the amount of net sales in the applicable years. In the event that the Company is required to pay a license fee or royalty to any third party related to the licensed products, the royalty payment due to Enumeral shall be reduced by the amount of such third party fees or payments, up to 50% of the royalty payment for each calendar year due to Enumeral.

The term of the Definitive Agreement ends upon the expiration of the last to expire patent covered under the license. The Definitive Agreement may be terminated by the Company on 30 days' notice and by Enumeral upon 60 days' notice of a material breach by the Company (or 30 days with respect to a breach of payment obligations by the Company), provided that the Company has not cured such breach and dispute resolution procedures specified in the Agreement have been followed. The Agreement will also automatically terminate if the Company fails to make the maintenance fee payment described above.

All amounts paid related to the Agreement have been expensed as research and development expense as incurred. The Company incurred $0 and $1.0 million for the three and nine months ended September 30, 2016.

13 Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" which is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its financial obligations as they become due within one year after the date that the financial statements are issued (or are available to be issued). ASU No. 2014-15 provides guidance to an organization's management, with principles and definitions intended to reduce diversity in the timing and content of disclosures commonly provided by organizations in the footnotes of their financial statements. ASU No. 2014-15 is effective for annual reporting periods ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. Had this standard been adopted as of September 30, 2016, the Company does not believe it would have been required to make any additional disclosures.

In February 2016, the FASB issued ASU No. 2016-02, "*Leases (Topic 842)*". Under the amendments in ASU 2016-02 lessees will be required to recognize (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term for all leases (with the exception of short-term leases) at the commencement date. This guidance is effective for fiscal years beginning after December 15, 2019 including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the potential impact the adoption of this standard will have on its financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-08, *"Revenues from Contract with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)"*. The amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations by amending certain existing illustrative examples and adding additional illustrative examples to assist in the application of the guidance. This guidance is effective for fiscal years beginning after December 15, 2018 including interim periods within those fiscal years. The Company is currently evaluating the potential impact the adoption of this standard will have on its financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-09, *"Compensation – Stock Compensation (Topic 718): Improvement to Employee Share-Based Payment Accounting"*. Under the amendments in ASU 2016-09 several aspects of the accounting for share-based payment award transactions are simplified, including (i) income tax consequences, (ii) classification of awards as either equity or liabilities and (iii) classification on the statement of cash flows. This guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any interim or annual period. The Company is currently evaluating the potential impact the adoption of this standard will have on its financial statements and related disclosures.

In April 2016, the FASB issued ASU. No. 2016-10, *"Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing"*. The amendments in ASU 2016-10 add further guidance on identifying performance obligations and also to improve the operability and understandability of the licensing implementation guidance. The amendments do not change the core principle of the guidance in Topic 606. This guidance is effective for annual periods beginning after December 15, 2018, including interim reporting periods therein. The Company is currently evaluating the potential impact the adoption of this standard will have on its financial statements and related disclosures.

In May 2016, the FASB issued ASU No. 2016-12, *"Revenue from Contracts with Customer (Topic 606): Narrow-Scope Improvements and Practical Expedients"*. The amendments in ASU 2016-12 address narrow-scope improvements to the guidance on collectability, noncash consideration, and completed contracts at transition. Additionally, the amendments in this update provide a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. This guidance is effective for annual periods beginning after December 15, 2018, including interim reporting periods therein. The Company is currently evaluating the potential impact the adoption of this standard will have on its financial statements and related disclosures. Pieris has considered other recent accounting pronouncements and concluded that they are either not applicable to the business, or that the effect is not expected to be material to the unaudited condensed consolidated financial statements as a result of future adoption.

14. Subsequent Events

Milestone payment

The Company announced, in October 2016, the achievement of a success-based milestone in its R&D collaboration with Daiichi Sankyo. The milestone was triggered by Daiichi Sankyo´s decision to initiate a GLP toxicity study in non-human primates.

Sales Agreement

In October 2016, the Company entered into a Sales Agreement with Cowen and Company, LLC (the "Sales Agreement") to establish an at-the-market equity offering program ("ATM") pursuant to which it may elect to offer and sell up to an aggregate of $35 million of its Common Stock at prevailing market prices from time to time. To date the Company has not sold any shares of its Common Stock in the ATM offering.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The interim financial statements and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2015, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on March 23, 2016. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth under the caption "Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2015.

As used in this Quarterly Report on Form 10-Q, unless the context indicates or otherwise requires, "our Company", "the Company", "Pieris", "we", "us", and "our" refer to Pieris Pharmaceuticals, Inc., a Nevada corporation, and its consolidated subsidiaries.

We have registered trademarks for Pieris®, Anticalin® and Pocket Binding®. All other trademarks, trade names and service marks included in this Quarterly Report on Form 10-Q are the property of their respective owners. Use or display by us of other parties' trademarks, trade dress or products is not intended to and does not imply a relationship with, or endorsements or sponsorship of, us by the trademark or trade dress owner.

Company Overview

We are a clinical-stage biopharmaceutical company that discovers and develops Anticalin® protein-based drugs to target validated disease pathways in a unique and transformative way. Our pipeline includes immune-oncology multi-specifics tailored for the tumor micro-environment, an inhaled Anticalin to treat uncontrolled asthma and a half-life-optimized Anticalin to treat anemia. Proprietary to Pieris, Anticalin proteins are a novel class of low molecular-weight therapeutic proteins derived from lipocalins, which are naturally occurring low-molecular weight human proteins typically found in blood plasma and other bodily fluids.

Each of our development programs focus on the following:

- *300-Series oncology drug candidates* are multispecific Anticalin®-based proteins designed to engage immunomodulatory targets and consist of a variety of multifunctional biotherapeutics that genetically link two distinct Anticalin proteins together or an antibody with one or more Anticalin proteins, thereby constituting a multispecific protein;
    - *PRS-343* our lead immune-oncology program is a 4-1BB/HER2 bispecific, comprised of a HER2-targeting antibody genetically linked to a 4-1BB-targeting Anticalin, in which tumor-targeted drug clustering mediated by HER2 expressed on certain solid tumors is intended to drive tumor localized T cell activation for patient unresponsive to current standard of care. PRS-343 is currently in IND enabling studies and we expect to initiate a Phase 1 clinical trial in the first half of 2017; and
    - *PRS-342* is a 4-1BB/GPC3 bispecific comprised of a GPC3-targeting Anticalin genetically linked via an antibody Fc domain to a 4-1BB-targeting Anticalin, in which tumor-targeted drug clustering mediated by GPC3 expressed on certain solid tumors is intended to drive tumor-localized T cell activation for patients unresponsive to current standard of care. PRS-342 is currently in preclinical studies; and
    - *PRS-332* our lead dual checkpoint antagonist program, defines a series of fusion proteins, each of which comprises a PD-1 targeting antibody genetically linked to an Anticalin that engages an undisclosed immune checkpoint. We expect to nominate a bispecific development candidate and initiate IND enabling studies for that candidate by the end of 2016; and
- *PRS-080* is an Anticalin protein that binds to hepcidin, a natural regulator of iron in the blood. It has been designed to target hepcidin for the treatment of functional iron deficiency in anemic patients with chronic kidney disease particularly in end-stage renal disease patients requiring dialysis; and

- *PRS-060* is a drug candidate that binds to the IL-4RA receptor, thereby inhibiting the signaling of IL-4 and IL-13, two cytokines (small proteins mediating signaling between cells within the human body) known to be key mediators in the inflammatory cascade that causes asthma and other inflammatory diseases.

Our programs are in varying stages:

- 300-Series—We are conducting activities relating to lead candidate identification, lead candidate optimization, preclinical evaluation and IND filing preparation on several of our 300-Series candidates. For our lead candidate, PRS-343 we expect to complete IND enabling studies in 2017 and plan a Phase I clinical study to begin in the first half of 2017;
- PRS-080—We completed a Phase Ia single-ascending dose clinical trial with PRS-080 in healthy volunteers in 2015. Based on the data obtained we are now continuing further development of PRS-080 in a Ib single ascending dose clinical study in CKD5 patients requiring hemodialysis. We expect to complete dosing by the end of 2016, which we expect will be followed by the multiple ascending dose trial in the same patient population with the completion of dosing in mid-2017; and
- PRS-060—We have formulated PRS-060 for pulmonary delivery by inhalation, dose-finding inhalation toxicology studies are underway and we are currently manufacturing bulk drug substance for GLP inhalation toxicology studies and for the manufacture of Drug Product for clinical studies. We expect to begin a Phase I clinical trial with this program in first half of 2017.

Our core Anticalin® technology and platform was developed in Germany, and we have partnership arrangements with major multi-national pharmaceutical companies headquartered in the U.S., Europe and Japan and with regional pharmaceutical companies headquartered in India. These include existing agreements with Daiichi Sankyo Company Limited, (“Daiichi Sankyo”), and Sanofi Group, (“Sanofi”), pursuant to which our Anticalin platform has consistently achieved its development milestones. Furthermore, we established a collaboration with F.Hoffman – La Roche Ltd. and Hoffmann – La Roche Inc., (“Roche”) in December 2015. We have discovery and preclinical collaboration and service agreements with both academic institutions and private firms in Australia.

Since inception, we have devoted nearly all of our efforts and resources to our research and development activities. We have incurred significant net losses since inception. For the three and nine months ended September 30, 2016 we reported a net loss of $6.2 million and $16.2 million, respectively. For the three and nine months ended September 30, 2015 we reported a net loss of $3.9 million and $11.2 million, respectively. As of September 30, 2016, we had an accumulated deficit of $96.1 million.

We expect to continue incurring substantial losses for the next several years as we continue to develop our clinical and preclinical drug candidates and programs. Our operating expenses are comprised of research and development expenses and general and administrative expenses.

We have not generated any revenues from product sales to date, and we do not expect to generate revenues from product sales for at least the next several years. Our revenues for the periods presented were primarily from license and collaboration agreements with our partners, and, to a lesser extent, from grants from government agencies.

A significant portion of our operations are conducted in countries other than the United States. Since we conduct our business in U.S. dollars, our main exposure, if any, results from changes in the exchange rates between the euro and the U.S. dollar. All assets and liabilities denominated in euros are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average rate during the period. Equity transactions are translated using historical exchange rates. Adjustments resulting from translating foreign currency financial statements into U.S. dollars are included in accumulated other comprehensive loss. We may incur negative foreign currency translation changes as a result of changes in currency exchange rates.

Financial Operations Overview

The following discussion summarizes the key factors our management believes are necessary for an understanding of our consolidated financial statements.

Revenues

We have not generated any revenues from product sales to date, and we do not expect to generate revenues from product sales for the foreseeable future. Our revenues for the last two years have been primarily from the license and collaboration agreements with Sanofi, Daiichi Sankyo, Roche, and to a much lesser extent, grants from government agencies.

The revenues from Sanofi, Daiichi Sankyo and Roche have been comprised primarily of upfront payments, research and development services and, to a lesser extent, milestone payments. We recognized revenues from upfront payments under these agreements based on multiple-element arrangement guidance as we have determined that the licenses to which the payments related did not have standalone value. Research service revenue is recognized when the costs are incurred and the services have been performed. Revenue from milestone payments is recognized when all of the following conditions are met: (1) the milestone payments are non-refundable, (2) the probability of the achievement of the milestone is near certain , (3) substantive effort on our part is involved in achieving the milestone, (4) the amount of the milestone payment is reasonable in relation to the effort expended or the risk associated with achievement of the milestone, and (5) a reasonable amount of time passes between the up-front license payment and the first milestone payment.

We expect our revenues for the next several years to consist of upfront payments, research funding and milestone payments from strategic collaborations we currently have or may establish in the future.

Research and Development Expenses

The process of researching and developing drugs for human use is lengthy, unpredictable and subject to many risks. We expect to continue incurring substantial expenses for the next several years as we continue to develop our clinical and preclinical drug candidates and programs. We are unable with any certainty to estimate either the costs or the timelines in which those costs will be incurred. Our current development plans focus on three lead drug programs: PRS-080, PRS-060 and 300-series. These programs consume a large proportion of our current, as well as projected, resources.

Our research and development costs include costs that are directly attributable to the creation of certain of our Anticalin® drug candidates and are comprised of:

- internal recurring costs, such as labor and fringe benefits, materials and supplies, facilities and maintenance costs; and
- fees paid to external parties who provide us with contract services, consulting services, such as preclinical testing, manufacturing and related testing, and clinical trial activities.

General and Administrative Expenses

General and administrative expenses consist primarily of payroll, employee benefits, equity compensation, and other personnel-related costs associated with executive, administrative and other support staff. Other significant general and administrative expenses include the costs associated with professional fees for accounting, auditing, insurance costs, consulting, and legal services.

Results of Operations

Comparison of the three and nine months ended September 30, 2016 and September 30, 2015

The following table sets forth our revenues and operating expenses for the periods presented (in thousands):

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenues	$ 785	$ 415	$ 3,105	$ 792
Research and development expenses	(4,622)	(2,052)	(12,782)	(5,302)
General and administrative expenses	(2,341)	(2,243)	(6,677)	(6,606)
Non-operating income (expense), net	(18)	(2)	114	(1)
Provision for income tax	—	(40)	—	(40)
Net loss	$ (6,196)	$ (3,922)	$ (16,240)	$ (11,157)

Revenues

The following table provides a comparison of revenues for three months ended September 30, 2016 and 2015, respectively (in thousands):

	Three months ended September 30, 2016	Three months ended September 30, 2015	$ Change	% Change
Upfront payments	$ 490	$ —	$ 490	100%
Research and development services	295	6	289	4,817%
Milestone payments	—	389	(389)	(100%)
Government Grants	—	8	(8)	(100%)
Other	—	12	(12)	(100%)
Total Revenue	$ 785	$ 415	$ 370	90%

- The $0.5 million increase in revenues from upfront payments in the three months ended September 30, 2016 compared to the three months ended September 30, 2015 relates to the recognition of an upfront payment under our collaboration with Roche, which commenced in January 2016. The revenue for the upfront payment is recorded based on the proportionate performance method using full-time equivalents as a measure to recognize the upfront payment over the research term. No upfront payments were recognized for the three months ended September 30, 2015.
- The $0.3 million increase in revenues from research and development services in the three months ended September 30, 2016 compared to the three months ended September 30, 2015 mainly relates to research and development services being provided to Roche pursuant to the Roche Agreement.
- The $0.4 million decrease in milestone revenue resulted from the achievement of a milestone received during the three months ended September 30, 2015 under our collaboration with Daiichi. No Daiichi milestone payments were recognized during the three months ended September 30, 2016.

The following table provides a comparison of revenues for the nine months ended September 30, 2016 and 2015, respectively (in thousands):

	Nine months ended September 30, 2016	Nine months ended September 30, 2015	$ Change	% Change
Upfront payments	$ 2,033	$ —	$ 2,033	100%
Research and development services	1,072	6	1,066	17,767%
Milestone payments		389	(389)	(100%)
Government Grants	—	376	(376)	(100%)
Other		21	(21)	(100%)
Total Revenue	$ 3,105	$ 792	$ 2,313	292%

- The $2.0 million increase in revenues from upfront payments in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 relates to the recognition of an upfront payment under our collaboration with Roche, which commenced in January 2016. The revenue for the upfront payment is recorded based on the proportionate performance method using the full-time equivalents as a measure to spread the upfront payment over the research term. No upfront payments were recognized for the nine months ended September 30, 2015.
- The $1.1 million increase in revenues from research and development services in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 primarily relates to research and development services being provided to Roche pursuant to the Roche Agreement.

- The $0.4 million decrease in milestone revenue resulted from a milestone received during the nine months ended September 30, 2015 under our collaboration with Daiichi. No milestone payments were recognized during the nine months ended September 30, 2016.
- The decrease in revenues from grants in the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 resulted from the end of the Seventh Research Framework Program, or FP7, under which the Company recognized $0.4 million in the nine months ended September 30, 2015. No grant revenues were recognized for the nine months ended September 30, 2016 as the Company received the last tranche under the FP7 program in November 2015 and no other programs under which the Company could receive government grants are currently in place.

Research and Development

The following table provides a comparison of the research and development expenses for our drug candidates and projects for the three months ended September 30, 2016 and 2015, respectively (in thousands):

	Three months ended September 30, 2016	Three months ended September 30, 2015	$-Change	%-Change
PRS-060	$ 405	$ 251	$ 154	61%
PRS-080	388	148	240	162%
PRS-300 series	2,281	698	1,583	227%
Other R&D activities	1,548	955	593	62%
Total	$ 4,622	$ 2,052	$ 2,570	125%

Total research and development expenses were $4.6 million for the three months ended September 30, 2016 as compared to $2.1 million for the three months ended September 30, 2015.

The $2.6 million increase in total research and development expenses in the three months ended September 30, 2016 compared to the three months ended September 30, 2015 is primarily due to:

- increase in chemistry, manufacturing, controls (“CMC”), and other preclinical costs associated with PRS-060 as we carry out IND enabling studies;
- increased preclinical and CMC costs for PRS-343 as we carry out our IND enabling studies, and development costs for our other 300-Series programs;
- increased expenses for PRS-080 due to the initiation of the Phase Ib clinical trial in the first quarter of 2016; and
- increase in other R&D activities of $0.6 million. This increase is due to $0.5 million increase in personnel related expenses, including stock-based compensation expense, an increase of $0.1 million for legal and patent fees, and $0.1 million increase for general lab costs. These increases were offset by a decrease of $0.1 million in recruiting and other costs.

The following table provides a comparison of the research and development expenses for the nine months ended September 30, 2016 and 2015, respectively (in thousands):

	Nine months ended September 30, 2016	Nine months ended September 30, 2015	$-Change	%-Change
PRS-060	$ 1,311	$ 273	$ 1,038	380%
PRS-080	960	1,402	(442)	(32%)
PRS-300 series	4,458	1,679	2,779	166%
Other R&D activities	6,052	1,948	4,104	211%
Total	$ 12,781	$ 5,302	$ 7,479	141%

Total research and development expenses are $12.8 million for the nine months ended September 30, 2016 as compared to $5.3 million for the nine months ended September 30, 2015.

The $7.5 million increase in total research and development expenses for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015 is primarily due to:

- increase in chemistry, manufacturing, controls ("CMC"), and other preclinical costs associated with PRS-060, as we carry out IND enabling studies;
- increase in preclinical and CMC costs for PRS-343 as we carry out our IND enabling studies, and development costs for other PRS-300-Series programs;
- decrease in expenses for PRS-080 as the Phase Ia trial was completed in 2015 and Phase 1b clinical trial began in the first quarter of 2016; and
- increase in other R&D activities of $4.1 million. This increase is due to a $1.7 million increase in personnel-related expenses, including stock-based compensation expense due to the hiring of additional R&D staff, $1.3 million increase for license fees related to TUM and Enumeral, $0.4 million increase for legal and consulting costs, $0.3 million increase for general lab supplies, and $0.4 million for various facility and other costs.

General and Administrative

General and administrative expenses were $2.3 million for the three months ended September 30, 2016 compared to $2.2 million for the three months ended September 30, 2015. The Company noted an increase of $0.3 million in higher personnel related costs, including stock compensation, and $0.2 million increase for recruiting and rent expenses. These amounts were offset by $0.4 million in lower legal, consulting, and other costs.

General and administrative expenses were $6.7 million for the nine months ended September 30, 2016 compared to $6.6 million for the nine months ended September 30, 2015. General and administrative expenses increased $0.7 million for personnel related costs, including stock compensation, an increase of $0.2 million for investor and recruiting expenses, offset by $0.8 million for lower legal, consulting, and other costs.

Non-operating income (expenses), net

Non-operating other expenses increased to approximately $18,000 for three months ended September 30, 2016 from a loss of approximately $2,000 of non-operating income for the three months ended September 30, 2015. This increase is mainly a result of net foreign currency transaction losses related to the weakness of the Euro against the U.S. dollar in the periods presented.

Non-operating income increased to $0.1 million for nine months ended September 30, 2016 from approximately $3,000 of non-operating expense for the nine months ended September 30, 2015. This increase is mainly a result of net foreign currency transaction gains related to the strengthening of the Euro against the U.S. dollar in the periods presented.

Liquidity and Capital Resources

Through September 30, 2016, we have funded our operations with $192.6 million of cash, obtained from the following main sources: $117.9 million from sales of equity; $6.5 million from loans; $14.2 million from government grants; and $54.0 million in total payments received under license and collaboration agreements, including $12.9 million for research and development services costs received from our collaboration partners. We expect reimbursements of our development costs from Daiichi Sankyo and Sanofi will decline going forward, and do not expect such reimbursements to be a significant source of funding in the future.

As of September 30, 2016, we had a total of $36.6 million in cash.

We have experienced operating losses since our inception and had a total accumulated deficit of $96.1 million as of September 30, 2016. We expect to incur additional costs and will require additional future capital. We have incurred losses in nearly every period since inception including the three and nine months ended September 30, 2016. These losses have primarily resulted in significant cash used in operations. Due to the upfront payment received from Roche during the nine months ended September 30, 2016 offset with our net losses for the period, our net cash used in operating activities is $7.6 million. During the nine months ended September 30, 2015, our net cash used in operations was $10.2 million. We have several research and development programs underway in varying stages of development and we expect they will continue to require increasing amounts of cash for development, conducting clinical trials, and testing and manufacturing of product material. As we continue to conduct these activities necessary to pursue FDA approval of our 300-Series, including PRS-343, PRS-342, PRS-332, and PRS-080 and PRS-060, and our other product candidates, we expect the cash necessary to fund operations will increase significantly over the next several years.

On July 6, 2015 we closed a public offering of an aggregate of 9,090,909 shares of our common stock, par value $0.001 per share at a purchase price of $2.75 per share. On July 28, 2015 the underwriters exercised their option to purchase an additional 1,211,827 shares of common stock at the public offering price of $2.75 per share. Gross proceeds from the public offering, including the over-allotment option, were $28.3 million and net proceeds were approximately $25.8 million. In June 2016, we entered into a securities purchase agreement for a private placement with a select group of institutional investors. The private placement, referred to as the 2016 PIPE, consisted of the sale of 8,188,804 units at a price of $2.015 per unit for gross proceeds to us of approximately $16.5 million. After deducting for placement agent fees and offering expenses, the aggregate net proceeds from the 2016 PIPE was approximately $15.3 million.

Each unit, included in the 2016 private placement transaction, consisted of (i) one share of common stock or non-voting series A convertible preferred stock, par value $0.001 per share, or the series A preferred shares, which are convertible into one share of common stock, (ii) one warrant to purchase 0.4 shares of common stock at an exercise price of $2.00 per share, and (iii) one warrant to purchase 0.2 shares of common stock at an exercise price of $3.00 per share. The 2016 PIPE transaction closed on June 8, 2016.

On August 3, 2016, our shelf registration statement in the amount of $100 million was declared effective by the SEC. This registration allows us to offer for sale various unspecified classes of equity and debt securities. As circumstances warrant, we may issue debt and/or equity securities from time to time on an opportunistic basis, dependent upon market conditions and available pricing. We make no assurance that we can issue and sell such securities on acceptable terms or at all.

In October 2016, the Company entered into a Sales Agreement with Cowen and Company, LLC (the “Sales Agreement”) to establish an at-the-market equity offering program (“ATM”), pursuant to which it may elect to offer and sell up to an aggregate of $35 million of its Common Stock at prevailing market prices from time to time. Sales of the ATM shares under the Sales Agreement may be made in transactions that are deemed to be “at the market offerings” as defined in Rule 415 promulgated under the Securities Act of 1933, as amended, including sales made directly on The NASDAQ Global Market, on any other existing trading market for the Common Stock, or through a market maker. In addition, with our prior written approval, Cowen may also sell shares of Common Stock by any other method permitted by law, including in negotiated transactions. Cowen will act as sales agent using its commercially reasonable efforts consistent with its normal trading and sales practices and applicable state and federal laws, rules and regulations and the rules of The NASDAQ Stock Market LLC. There is no arrangement for funds to be received in an escrow, trust or similar arrangement. Cowen will be entitled to compensation at a fixed commission rate up to 3.0% of the gross proceeds per share sold through it as sales agent under the Sales Agreement. We have not made any sales under the ATM.

We believe that our effective shelf registration statement and the ATM improve our ability to access capital.

We will need to obtain additional funding in order to continue our operations and pursue our business plans. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce, or eliminate our research and development programs or future commercialization efforts.

We expect that our existing cash and cash equivalents will enable us to fund our operations and capital expenditure requirements for at least the next twelve months. Our requirements for additional capital will depend on many factors, including the following:

- the scope, rate of progress, results, timing and cost of our clinical studies, preclinical testing and other related activities;
- the cost of manufacturing clinical supplies, and establishing commercial supplies, of our drug candidates and any products that we may develop;
- the number and characteristics of drug candidates that we pursue;
- the cost, timing and outcomes of regulatory approvals;
- the cost and timing of establishing sales, marketing and distribution capabilities;
- the terms and timing of any collaborative, licensing and other arrangements that we may establish;
- the timing, receipt and amount of sales, profit sharing or royalties, if any, from our potential products;
- the cost of preparing, filing, prosecuting, defending, and enforcing any patent claims and other intellectual property rights; and
- the extent to which we acquire or invest in businesses, products or technologies, although we currently have no commitments or agreements relating to any of these types of transactions.

We cannot be sure that future funding will be available to us on acceptable terms, or adequate enough at all. Due to the often volatile nature of the financial markets, equity and debt financing may be difficult to obtain. In addition, any unfavorable development or delay in the progress of our 300-Series programs, including PRS-343, PRS-342, PRS-332 and PRS-080 and PRS-060 could have a material adverse impact on our ability to raise additional capital.

We may seek to raise any necessary additional capital through a combination of private or public equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and other marketing and distribution arrangements. To the extent that we raise additional capital through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our drug candidates, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we raise additional capital through private or public equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Refer to Part II, Item 7, "Critical Accounting Policies and Estimates" of our Annual Report on Form 10-K for the fiscal year ended on December 31, 2015 for a discussion of our critical accounting policies and estimates. There were no significant changes to our Critical Accounting Policies and Estimates for the nine months ended September 30, 2016.

Recently Issued Accounting Pronouncements

We review new accounting standards to determine the expected financial impact, if any, that the adoption of each such standard will have. For the recently issued accounting standards that we believe may have an impact on our consolidated financial statements, see "Note13—Recently Issued Accounting Pronouncements" in our consolidated financial statements.

Emerging Growth Company and Smaller Reporting Company Status

The Jumpstart Our Business Startups Act of 2012, or the JOBS Act, establishes a class of company called an "emerging growth company," which generally is a company whose initial public offering was completed after December 8, 2011 and had total annual gross revenues of less than $1 billion during its most recently completed fiscal year. Additionally, Section 12b-2 of the Exchange Act establishes a class of company called a "smaller reporting company," which generally is a company with a public float of less than $75 million as of the last business day of its most recently completed second fiscal quarter or, if such public float is $0, had annual revenues of less than $50 million during the most recently completed fiscal year for which audited financial statements are available. We currently qualify as both an emerging growth company and a smaller reporting company.

As an emerging growth company and a smaller reporting company, we are eligible to take advantage of certain exemptions from various reporting requirements that are not available to public reporting companies that do not qualify for those classifications, including without limitation the following:

- An emerging growth company is exempt from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and financial statements, commonly known as an "auditor discussion and analysis."
- An emerging growth company is not required to hold a nonbinding advisory stockholder vote on executive compensation or any golden parachute payments not previously approved by stockholders.
- Neither an emerging growth company nor a smaller reporting company is required to comply with the requirement of auditor attestation of management's assessment of internal control over financial reporting, which is required for other public reporting companies by Section 404 of the Sarbanes-Oxley Act.
- A company that is either an emerging growth company or a smaller reporting company is eligible for reduced disclosure obligations regarding executive compensation in its periodic and annual reports, including without limitation exemption from the requirement to provide a compensation discussion and analysis describing compensation practices and procedures.

- A company that is either an emerging growth company or a smaller reporting company is eligible for reduced financial statement disclosure in registration statements, which must include two years of audited financial statements rather than the three years of audited financial statements that are required for other public reporting companies. Smaller reporting companies are also eligible to provide such reduced financial statement disclosure in annual reports on Form 10-K.

For as long as we continue to be an emerging growth company and/or a smaller reporting company, we expect that we will take advantage of the reduced disclosure obligations available to us as a result of those respective classifications. We will remain an emerging growth company until the earlier of (i) December 31, 2019, the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement under the Securities Act; (ii) the last day of the fiscal year in which we have total annual gross revenues of $1 billion or more; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under applicable SEC rules. We expect that we will remain an emerging growth company for the foreseeable future, but cannot retain our emerging growth company status indefinitely and will no longer qualify as an emerging growth company on or before December 31, 2019. We will remain a smaller reporting company until we have a public float of $75 million or more as of the last business day of our most recently completed second fiscal quarter, and we could retain our smaller reporting company status indefinitely depending on the size of our public float.

Emerging growth companies may elect to take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining “disclosure controls and procedures”, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as well as for establishing and maintaining “adequate internal control over financial reporting” as such term is defined in Rule 13a-15(f) under the Exchange Act. The Company’s system of internal controls over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with generally accepted accounting principles.

Because of the inherent limitations surrounding internal controls over financial reporting, our disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Our management, under the supervision of and with the participation of the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company’s internal control over financial reporting and disclosure controls and procedures as of September 30, 2016. In making this assessment, management used the updated criteria set forth in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on our assessment under the COSO Internal Control-Integrated Framework, management believes that, as of September 30, 2016, our internal control over financial reporting was not effective, as described below.

As previously disclosed in Part 1, Item 4 of the Form 10Q for the three months ended June 30, 2016, in connection with the preparation of our financial statements for the three and six months ended June 30, 2016, we concluded that we had a material weakness relating to the technical accounting for complex transactions. During the period we noted an error in the accounting for our equity transaction. The error was corrected in the financial statements prior to their issuance. We have developed and implemented a remediation plan for this material weakness. We will continue to execute our remediation plan, which includes, among other things, engagement of additional technical expertise, as needed, on complex accounting matters to support the accounting and finance team and the internal control environment.

Notwithstanding the material weakness, we have concluded that the financial statements and other financial information included in this Quarterly Report on Form 10-Q, fairly represent in all material respects our financial condition, results of operations, and cash flows as of, and for, the periods presented.

Changes in Internal Control over Financial Reporting

Except for the material weakness described above, there were no changes in our internal control over financial reporting identified in connection with the evaluation of such internal control required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act that occurred during the quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Claims and lawsuits are filed against our Company from time to time. Although the results of pending claims are always uncertain, we believe that we have adequate reserves or adequate “insurance coverage” in respect of these claims, but no assurance can be given as to the sufficiency of such reserves or insurance coverage in the event of any unfavorable outcome resulting from these actions.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

EXHIBIT INDEX

10.1*	Pieris Pharmaceuticals, Inc. 2016 Employee, Director and Consultant Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed July 1, 2016 (File No. 001-37471))
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Principal Executive Officer.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Principal Financial Officer.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Principal Executive Officer.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Principal Financial Officer.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

* Indicates management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PIERIS PHARMACEUTICALS, INC.

Date: November 10, 2016

By: /s/ Stephen S. Yoder
Stephen S. Yoder
President, Chief Executive Officer and Director

Date: November 10, 2016

By: /s/ Darlene Deptula-Hicks
Darlene Deptula-Hicks
Chief Financial Officer, Secretary and Treasurer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen S. Yoder, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pieris Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. paragraph omitted in accordance with Exchange Act Rule 15d-14(a);

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2016

/s/ Stephen S. Yoder

Stephen S. Yoder
Title: Chief Executive Officer and President (principal executive officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Darlene Deptula-Hicks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pieris Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. paragraph omitted in accordance with Exchange Act Rule 15d-14(a);

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2016

/s/ Darlene Deptula-Hicks

Darlene Deptula-Hicks
Title: Chief Financial Officer (principal accounting and financial officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER UNDER SECTION 906

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Pieris Pharmaceuticals, Inc. (the "Company") hereby certifies, to his knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2016 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2016

/s/ Stephen S. Yoder
Stephen S. Yoder
Title: Chief Executive Officer and President (principal executive officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER UNDER SECTION 906

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Pieris Pharmaceuticals, Inc. (the "Company") hereby certifies, to her knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2016 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2016

/s/ Darlene Deptula-Hicks
Darlene Deptula-Hicks
Title: Chief Financial Officer (principal accounting and financial officer)