

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 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, 2024

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  
(State or other jurisdiction of  
incorporation or organization)  
  
225 Franklin Street, 26th Floor  
Boston, MA  
United States  
(Address of principal executive offices)

30-0784346  
(I.R.S. Employer  
Identification No.)

02110  
(Zip Code)

857-246-8998

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered
Common Stock, \$0.001 par value per share	PIRS	The Nasdaq Capital Market

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of November 11, 2024, the registrant had 1,320,240 shares of common stock outstanding.

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I: FINANCIAL INFORMATION</u></b>	
<u>Item 1. Financial Statements (unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the Three and Nine Months ended September 30, 2024 and 2023</u>	<u>2</u>
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three and Nine Months ended September 30, 2024 and 2023</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months ended September 30, 2024 and 2023</u>	<u>5</u>
<u>Notes to the Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>17</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>23</u>
<u>Item 4. Controls and Procedures</u>	<u>24</u>
<b><u>PART II: OTHER INFORMATION</u></b>	
<u>Item 1. Legal Proceedings</u>	<u>25</u>
<u>Item 1A. Risk Factors</u>	<u>25</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>27</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>27</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>27</u>
<u>Item 5. Other Information</u>	<u>27</u>
<u>Item 6. Exhibits</u>	<u>27</u>
<b><u>SIGNATURES</u></b>	<u>29</u>

## Special Note Regarding Forward-Looking Statements

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, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that involve risks and uncertainties, principally in the section titled “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, the transactions contemplated by the Agreement and Plan of Merger, dated as of July 23, 2024, or the Merger Agreement, by and between the Pieris, Polo Merger Sub, a Delaware corporate and wholly owned subsidiary of ours, or Merger Sub, and Palvella Therapeutics, Inc., a Delaware corporation, or Palvella, the approval by our stockholders of the issuance of our common stock in connection with, and the change of control that would be occasioned by, the Merger and the PIPE Financing, the closing of the Merger, including the timing of the Merger, and the approval of the proposal to increase the number of authorized shares of common for issuance under our charter, our cash balance at the closing of the Merger, if any, our ability to receive future milestones and royalty payments in connection with the contingent value rights contemplated by the Merger Agreement, our workforce reduction and related restructuring activities, our future financial and operating performance, 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 using terms such as including “anticipates,” “approach,” “believes,” “can,” “contemplate,” “continue,” “look forward,” “ongoing,” “could,” “estimates,” “expects,” “intends,” “may,” “appears,” “suggests,” “future,” “likely,” “goal,” “plans,” “potential,” “possibly,” “projects,” “predicts,” “seek,” “should,” “target,” “would” or “will” and other similar words or expressions 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 or Quarterly Reports on Form 10-Q, 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: consummating the Merger Agreement and realizing the anticipated benefits in connection with the proposed merger; our ability to achieve anticipated cost savings and capital preservation as a result of our workforce reduction and related restructuring; the early stage of our partnered drug candidates presently under development; our partners’ continued progress, if any, in the areas of co-stimulatory bispecifics and the results of their research and development activities including uncertainties relating to the ongoing or planned clinical testing of our partnered product candidates; our potential 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 ability to maintain our compliance with the continued listing requirements of The Nasdaq Capital Market LLC, or Nasdaq; the possibility that Nasdaq treats us as a public shell, which may lead to delisting of our common stock on Nasdaq; our future financial performance; our ability to protect our intellectual property rights that are valuable to our business, including patent and other intellectual property rights; the success of our collaborations with third parties; our partners’ ability to meet milestones; the receipt of royalty and milestone payments provided for in our collaboration agreements; our partners’ 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 product candidates for which we or our partners may obtain regulatory approval, and the rate and degree of market acceptance of such product candidates; competition in our industry; regulatory developments in the United States and foreign countries, including with respect to the U.S. Food and Drug Administration, or FDA; Pfizer Inc.’s, or Pfizer’s, ability to continue to advance SGN-BB228 (also known as PRS-346) and the other drug candidates licensed to them; BP Asset XII, Inc.’s, or Boston Pharmaceuticals’, ability to continue to advance BOS-342 (also known as PRS-342); the expected impact of new accounting standards; and the delays or disruptions due to geopolitical issues, including the conflicts in Ukraine and the Middle East on our company.

You should not place undue reliance on any forward-looking statement(s), 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 II, Item 1A (Risk Factors) the Quarterly Report on Form 10-Q filed on May 15, 2024 and August 14, 2024 for the quarters ending March 31, 2024 and June 30, 2024, respectively, or Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the U.S. Securities and Exchange Commission, or SEC, on March 29, 2024, could negatively affect our business, operating results, financial condition and stock price. All forward-looking statements included in this Quarterly Report on Form 10-Q 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.

We have registered trademarks for Pieris®, Anticalin®, Mabcalin® and Duocalin®. 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, trade dress or product owner.

## 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 Quarterly Report on Form 10-Q 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 our operations is primarily 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 accumulated other comprehensive income/loss.

Where in this Quarterly Report on Form 10-Q 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. \$1.11895 based on information provided by Xignite as of September 30, 2024.

**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements.****PIERIS PHARMACEUTICALS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(unaudited, in thousands)**

	<u>September 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 19,363	\$ 17,396
Short term investments	—	8,970
Accounts receivable	373	572
Receivable from public grants	—	3,141
Other receivables	506	2,326
Assets held for sale, property and equipment	—	2,188
Prepaid expenses and other current assets	280	4,087
<b>Total current assets</b>	<u>\$ 20,522</u>	<u>\$ 38,680</u>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 801	\$ 3,372
Accrued expenses and other current liabilities	3,453	8,550
<b>Total current liabilities</b>	<u>4,254</u>	<u>11,922</u>
<b>Stockholders' equity:</b>		
Preferred stock	—	—
Common stock	1	1
Additional paid-in capital	342,916	341,693
Accumulated other comprehensive income (loss)	(316)	28
Accumulated deficit	(326,333)	(314,964)
<b>Total stockholders' equity</b>	<u>16,268</u>	<u>26,758</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 20,522</u>	<u>\$ 38,680</u>

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

## PIERIS PHARMACEUTICALS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited)

(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue				
Customer revenue	\$ —	\$ 15,569	\$ 6	\$ 37,665
Collaboration revenue	—	3,951	47	3,846
Total revenue	—	19,520	53	41,511
Operating expenses				
Research and development	(446)	9,595	1,523	37,347
General and administrative	3,581	6,839	11,145	14,526
Asset impairment	—	14,893	—	14,893
Total operating expenses	3,135	31,327	12,668	66,766
Loss from operations	(3,135)	(11,807)	(12,615)	(25,255)
Other income				
Interest income	169	549	610	1,396
Grant income	—	—	—	3,612
Other income	79	506	636	288
Net loss	\$ (2,887)	\$ (10,752)	\$ (11,369)	\$ (19,959)
Other comprehensive income loss:				
Foreign currency translation	120	(204)	(343)	(159)
Unrealized gain (loss) on available-for-sale securities	—	2	(1)	74
Comprehensive loss	\$ (2,767)	\$ (10,954)	\$ (11,713)	\$ (20,044)
Net loss per share				
Basic	\$ (2.19)	\$ (8.70)	\$ (8.84)	\$ (18.33)
Diluted	\$ (2.19)	\$ (8.70)	\$ (8.84)	\$ (18.33)
Weighted average number of common shares outstanding				
Basic	1,320	1,236	1,285	1,089
Diluted	1,320	1,236	1,285	1,089

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

## PIERIS PHARMACEUTICALS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(unaudited, in thousands)

For the Three Months Ended September 30, 2023 and 2024

	Preferred shares		Common shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total Stockholders' equity
	No. of shares	Share capital	No. of shares	Share capital				
Balance as of June 30, 2023	16	\$ —	1,236	\$ 1	\$ 340,262	\$ (137)	\$ (299,628)	\$ 40,498
Net loss	—	—	—	—	—	—	(10,752)	(10,752)
Stock based compensation expense	—	—	—	—	966	—	—	966
Foreign currency translation adjustment	—	—	—	—	—	(204)	—	(204)
Unrealized gain on investments	—	—	—	—	—	2	—	2
Balance at September 30, 2023	16	\$ —	1,236	\$ 1	\$ 341,228	\$ (339)	\$ (310,380)	\$ 30,510
Balance as of June 30, 2024	16	\$ —	1,320	\$ 1	\$ 342,586	\$ (436)	\$ (323,446)	\$ 18,705
Net loss	—	—	—	—	—	—	(2,887)	(2,887)
Stock based compensation expense	—	—	—	—	330	—	—	330
Foreign currency translation adjustment	—	—	—	—	—	120	—	120
Balance at September 30, 2024	16	\$ —	1,320	\$ 1	\$ 342,916	\$ (316)	\$ (326,333)	\$ 16,268

**PIERIS PHARMACEUTICALS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
**(unaudited, in thousands)**
**For the Nine Months Ended September 30, 2023 and 2024**

	Preferred shares		Common shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total Stockholders' equity
	No. of shares	Share capital	No. of shares	Share capital				
Balance at December 31, 2022	16	\$ —	931	\$ 1	\$ 318,603	\$ (254)	\$ (290,421)	\$ 27,929
Net loss	—	—	—	—	—	—	(19,959)	(19,959)
Stock based compensation expense	—	—	—	—	2,898	—	—	2,898
Foreign currency translation adjustment	—	—	—	—	—	(159)	—	(159)
Unrealized loss on investments	—	—	—	—	—	74	—	74
Issuance of common stock resulting from purchase of employee stock purchase plan shares	—	—	1	—	52	—	—	52
Issuance of common stock pursuant to ATM offering program, net of \$0.7 million in offering costs	—	—	303	—	19,675	—	—	19,675
Balance at September 30, 2023	16	\$ —	1,236	\$ 1	\$ 341,228	\$ (339)	\$ (310,380)	\$ 30,510
Balance at December 31, 2023	16	\$ —	1,237	\$ 1	\$ 341,693	\$ 28	\$ (314,964)	\$ 26,758
Net loss	—	—	—	—	—	—	(11,369)	(11,369)
Stock based compensation expense	—	—	—	—	1,223	—	—	1,223
Foreign currency translation adjustment	—	—	—	—	—	(343)	—	(343)
Unrealized gain on investments	—	—	—	—	—	(1)	—	(1)
Round-Up shares from the 1-for-80 reverse split effective April 23, 2024	—	—	83	—	—	—	—	—
Balance at September 30, 2024	16	\$ —	1,320	\$ 1	\$ 342,916	\$ (316)	\$ (326,333)	\$ 16,268



## PIERIS PHARMACEUTICALS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	Nine Months Ended September 30,	
	2024	2023
<b>Operating activities:</b>		
Net loss	\$ (11,369)	\$ (19,959)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization (accretion)	(30)	2,102
Right-of-use asset accretion	—	(98)
Stock-based compensation	1,223	2,898
Gain on sale of fixed assets	(225)	
Asset impairment	—	14,893
Prepaid rent	1,118	—
Realized investment losses	—	(53)
Other non-cash transactions	864	(129)
Changes in operating assets and liabilities	89	(33,804)
Net cash used in operating activities	<u>(8,330)</u>	<u>(34,150)</u>
<b>Investing activities:</b>		
Purchases of property and equipment	—	(184)
Proceeds from maturity of investments	9,000	24,007
Proceeds on sale of fixed assets	2,318	—
Purchases of investments	—	(15,270)
Net cash provided by investing activities	<u>11,318</u>	<u>8,553</u>
<b>Financing activities:</b>		
Proceeds from employee stock purchase plan	—	52
Proceeds from issuance of common stock resulting from ATM sales, net of \$0.7 million in transaction costs	—	19,729
Net cash provided by financing activities	<u>—</u>	<u>19,781</u>
Effect of exchange rate change on cash and cash equivalents	(1,021)	75
Net increase in cash and cash equivalents	1,967	(5,741)
Cash and cash equivalents at beginning of period	17,396	38,635
Cash and cash equivalents at end of period	<u>\$ 19,363</u>	<u>\$ 32,894</u>
Supplemental cash flow disclosures:		
Net unrealized gain (loss) on investments	\$ (1)	\$ 74

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

**PIERIS PHARMACEUTICALS, INC.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

## **1. Corporate Information**

Pieris Pharmaceuticals, Inc., or the Company or Pieris, was founded in May 2013, and acquired 100% interest in Pieris Pharmaceuticals GmbH (formerly Pieris AG, a German company which was founded in 2001) in December 2014. Pieris Pharmaceuticals, Inc. and its wholly-owned subsidiaries, hereinafter collectively Pieris, or the Company, is a biopharmaceutical company that, prior to July of 2023, discovered and developed Anticalin-based drugs to target validated disease pathways in unique and transformative ways. Pieris' clinical pipeline consists of immuno-oncology, or IO, programs partnered with several major multi-national pharmaceutical companies. Pieris' corporate headquarters is located in Boston, Massachusetts. Pieris also maintains office space in Ismaning, Germany. The Company's core Anticalin technology and platform was developed in Germany.

On July 18, 2023, the Company announced its intention to explore engaging in one or more strategic transactions, including mergers, reverse mergers, acquisitions, other business combinations or sales of assets, or other strategic transactions. This decision was related to events that impacted the Company's inhaled respiratory franchise in connection with AstraZeneca's discontinuation of enrollment of the Phase 2a study for elarekibep, an inhaled IL-4R $\alpha$  antagonist Anticalin protein to treat uncontrolled asthma. As part of this initiative, the Company engaged Stifel, Nicolaus & Company, Incorporated to serve as its advisor in its review of strategic transactions.

Also on July 18, 2023, the Company's Board of Directors approved a reduction in the Company's workforce by approximately 70%. Since July of 2023, and continuing through September 30, 2024, the Company took additional steps to reduce its operating footprint including terminating its remaining lease obligations in Germany and winding down its proprietary inhaled respiratory programs. The Company also has opted out and terminated programs where possible to reduce operating costs. Further reductions in the workforce have occurred based upon these actions. As a result, the Company has incurred approximately \$7.5 million of severance costs and other related termination benefits in 2023 as the service period to earn such benefits is considered complete.

Approximately \$2.4 million of the termination benefits were paid in 2023. The Company expects approximately \$4.3 million of the termination benefits to be paid through the end of 2024, with the remainder of termination benefits to be paid in 2025.

On March 27, 2024, the Company announced the implementation of a new strategy along with relevant cost-saving measures that are expected to extend its cash runway into at least 2027, while maximizing its ability to capture the potential milestones from its partnered 4-1BB bispecific Mabcalin<sup>®</sup> protein IO assets. The Company may be entitled to aggregate milestones of up to approximately \$15.0 million upon first patient dosed in the Phase 2 trials for SGN-BB228 and BOS-342, which are currently in Phase 1 clinical development, and up to approximately \$40.0 million upon first patient dosed in pivotal clinical trials for SGN-BB228 and BOS-342.

On July 23, 2024, the Company and its wholly-owned subsidiary, Polo Merger Sub, Inc., or Merger Sub, entered into an Agreement and Plan of Merger (the "Merger Agreement") with Palvella Therapeutics, Inc., or Palvella, discussed further in Note 11, whereby Merger Sub will merge with and into Palvella, with Palvella continuing as a wholly-owned subsidiary of the Company and the surviving corporation of the merger, or the Merger. Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger, (i) each then-outstanding share of Palvella capital stock will be converted into the right to receive a number of shares of the Company's common stock equal to the Exchange Ratio as defined in the Merger Agreement; and (ii) each then-outstanding Palvella stock option to purchase Palvella common stock will be assumed by the Company. Each of the Company and Palvella has agreed to customary representations, warranties and covenants in the Merger Agreement, including, among others, covenants relating to (1) using reasonable best efforts to obtain the requisite approvals of their respective stockholders, (2) non-solicitation of alternative acquisition proposals, (3) the conduct of their respective businesses during the period between the date of signing the Merger Agreement and the closing of the Merger, (4) the Company using its commercially reasonable efforts to maintain the existing listing of the Company's common stock on Nasdaq and the Company causing the shares of the Company's common stock to be issued in connection with the Merger to be approved for listing on Nasdaq prior to the closing of the Merger and (5) the Company filing with the U.S. Securities and Exchange Commission, or the SEC, and causing to become effective a registration statement to register the shares of the Company's common stock to be issued in connection with the Merger.

On August 7, 2024, the Company entered into a Subscription and Investment Representation Agreement with James Geraghty, Chairman of the Company's Board of Directors, or the Purchaser, pursuant to which the Company agreed to issue and sell one (1) share of the Company's Series F Preferred Stock, par value \$0.001 per share, to the Purchaser for \$1.00 cash. The sale closed on August 7, 2024. The Series F Preferred Stock have no voting rights other than the right to vote on a proposed amendment to the Company's amended and restated articles of incorporation to effect an increase in the number of authorized shares of the Company's common stock, or the Authorized Share Increase Proposal. Each share of Series F Preferred Stock outstanding on the record date entitles the holder thereof to 25,000,000 votes on the Authorized Share Increase Proposal, and all shares of Series F Preferred Stock held by such holder must and will be voted, without further action by such holder, in the same proportion as the aggregate shares of Pieris common stock (excluding any shares of Pieris common stock that are not voted) that are voted on the Authorized Share Increase Proposal.

As of September 30, 2024, cash and cash equivalents were \$19.4 million. For the three months ended September 30, 2024 and 2023, the Company had a net loss of \$2.9 million and \$10.8 million, respectively. For the nine months ended September 30, 2024 and 2023, the Company had net losses of \$11.4 million and \$20.0 million, respectively. The Company has incurred net losses since inception and had an accumulated deficit of \$326.3 million as of September 30, 2024. Net losses and negative cash flows from operations have had, and will continue to have, an adverse effect on the Company's stockholders' equity and working capital. The Company expects to continue to incur operating losses for the foreseeable future.

The Company has historically devoted substantially all of its financial resources and efforts to research and development and general and administrative expenses to support the discovery and development of Anticalin-based drugs. Going forward, as part of the Company's previous decision to implement measures to maximize its ability to capture potential milestones from its partnered programs with Pfizer and Boston Pharmaceuticals (all as defined in Note 3 below) and the Company's plan to consummate the potential Merger, subject to stockholder approval, the Company has discontinued all research and development efforts and continues to reduce discretionary expenditures and other fixed or variable personnel costs. The Company believes that its currently available funds will be sufficient to fund its operations through at least the next twelve months from the issuance of this Quarterly Report on Form 10-Q. The Company's belief with respect to its ability to fund operations is based on estimates that are subject to risks and uncertainties.

## **2. Summary of Significant Accounting Policies**

The Company's significant accounting policies are described in Note 2—Summary of Significant Accounting Policies, in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023. There have been no material additions to the significant accounting policies for the nine months ended September 30, 2024.

### **Unaudited Interim Financial Information**

The accompanying unaudited condensed consolidated financial statements included herein have been prepared by the Company in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, for interim financial information and pursuant to the rules and regulations of the SEC. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments, consisting of normal recurring adjustments, and disclosures considered necessary for a fair presentation of interim period results have been included. Interim results for the three and nine months ended September 30, 2024 are not necessarily indicative of results that may be expected for the year ending December 31, 2024. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, which was filed with the SEC on March 29, 2024.

### **Basis of Presentation and Use of Estimates**

The accompanying unaudited condensed consolidated financial statements of Pieris Pharmaceuticals, Inc. and its wholly-owned subsidiaries were prepared in accordance with U.S. GAAP. The unaudited condensed consolidated financial statements include the accounts of all subsidiaries. All intercompany balances and transactions have been eliminated.

Effective at 5:00 p.m. Eastern Time on April 22, 2024, the Company effected a 1-for-80 reverse stock split of its common stock, or the Reverse Split, with any fractional shares resulting from the Reverse Split rounded up to the next whole share of common stock. All references to shares of common stock outstanding, average number of shares outstanding and per share amounts in this Quarterly Report on Form 10-Q have been restated to reflect the Reverse Split on a retroactive basis.

The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosures at the date of the financial statements and during the reporting period. Significant estimates are used for, but are not limited to, revenue recognition; deferred tax assets, deferred tax liabilities and valuation allowances; beneficial conversion features; fair value of stock options, preferred stock, and warrants; fair value of assets held for sale; and prepaid and accrued clinical trial expenses. Management evaluates its estimates on an ongoing basis. Actual results and outcomes could differ materially from management's estimates, judgments and assumptions.

### **Cash, Cash Equivalents and Investments**

The Company determines the appropriate classification of its investments at the time of purchase. All liquid investments with original maturities of 90 days or less from the purchase date and for which there is an active market are considered to be cash equivalents. The Company's investments are comprised of money market, asset backed securities, government treasuries and corporate bonds that are classified as available-for-sale in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 320, *Investments—Debt and Equity Securities*. The Company classifies investments available to fund current operations as current assets on its balance sheets.

Available-for-sale investments are recorded at fair value, with unrealized gains or losses included in accumulated other comprehensive loss on the Company's balance sheets. Realized gains and losses are determined using the specific identification method and are included as a component of other income.

The Company reviews investments for other-than-temporary impairment whenever the fair value of an investment is less than the amortized cost and evidence indicates that an investment's carrying amount is not recoverable within a reasonable period of time. To determine whether an impairment is other-than-temporary, the Company considers its intent to sell or whether it is more likely than not that the Company will be required to sell the investment before recovery of the investment's amortized cost basis. Evidence considered in this assessment includes reasons for the impairment, the severity and the duration of the impairment and changes in value subsequent to period end.

### **Concentration of Credit Risk and Off-Balance Sheet Risk**

The Company has no financial instruments with off-balance sheet risk such as foreign exchange contracts, option contracts or other foreign hedging arrangements. Financial instruments that subject Pieris to concentrations of credit risk include cash and cash equivalents, investments, and accounts receivable. The Company's cash, cash equivalents, and investments are held in accounts with financial institutions that management believes are creditworthy. The Company's investment policy includes guidelines on the quality of the institutions and financial instruments and defines allowable investments that the Company believes minimize the exposure to concentration of credit risk. The Company has not experienced any credit losses in such accounts and does not believe it is exposed to any significant credit risk on these funds. Accounts receivable historically consisted of amounts due under strategic partnership and other license agreements with major multi-national pharmaceutical companies for which the Company does not obtain collateral.

### **Fair Value Measurement**

The Company is required to disclose information on all assets and liabilities reported at fair value that enables an assessment of the inputs used in determining the reported fair values. FASB ASC Topic 820, *Fair Value Measurement and Disclosures*, established a hierarchy of inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the financial instrument based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the inputs that market participants would use in pricing the financial instrument and are developed based on the best information available in the circumstances. The fair value hierarchy applies only to the valuation inputs used in determining the reported or disclosed fair value of the financial instruments and is not a measure of the investment credit quality. Fair value measurements are classified and disclosed in one of the following three categories:

- 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.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Financial instruments measured at fair value on a recurring basis include cash equivalents and investments (see Note 5).

An entity may elect to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in net loss. The Company did not elect to measure any additional financial instruments or other items at fair value.

## Property and Equipment

Property and equipment are recorded at acquisition cost, less accumulated depreciation and impairment. Depreciation on property and equipment is calculated using the straight-line method over the remaining estimated useful lives of the assets. Maintenance and repairs to these assets are charged to expenses as occurred. As of the period ended September 30, 2024, the Company did not have any property and equipment recorded on the condensed consolidated balance sheet.

If the criteria in *ASC Topic 360 Property, Plant and Equipment* are met, a long-lived asset is classified as held for sale. The long-lived asset is reported at the lower of its carrying value or fair value less cost to sell beginning in the period the held for sale criteria are met. The carrying amount of the asset will be adjusted each reporting period for subsequent changes in fair value less costs to sell. A loss is recognized for any subsequent write-down to fair value less cost to sell. A gain is recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative loss previously recognized. Once classified as held for sale, depreciation and amortization are no longer recorded for any long-lived assets included in the disposal group.

## Impairment of Long-lived Assets

The Company reviews its long-lived assets to be held and used for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company evaluates the realizability of its long-lived assets based on profitability and cash flow expectations for the related asset. Any write-downs are treated as permanent reductions in the carrying amount of the assets.

## Revenue Recognition

Pieris has entered into several licensing agreements with collaboration partners for the development of Anticalin therapeutics against a variety of targets. The terms of these agreements provide for the transfer of multiple goods or services which *may* include: (i) licenses, or options to obtain licenses, to Pieris' Anticalin technology and/or specific programs and (ii) research and development activities to be performed on behalf of or with a collaborative partner. Payments to Pieris under these agreements may include upfront fees (which include license and option fees), payments for research and development activities, payments based upon the achievement of certain milestones, and royalties on product sales. There are *no* performance, cancellation, termination or refund provisions in any of the arrangements that could result in material financial consequences to Pieris. As the Company's intellectual property assets are considered to be located in Germany, the Company records all consolidated revenue in its subsidiary, Pieris Pharmaceuticals GmbH.

## Collaborative Arrangements

The Company considers the nature and contractual terms of an arrangement and assesses whether the arrangement involves a joint operating activity pursuant to which it is an active participant and exposed to significant risks and rewards with respect to the arrangement. If the Company is an active participant and exposed to the significant risks and rewards with respect to the arrangement, it accounts for these arrangements pursuant to ASC Topic 808, *Collaborative Arrangements*, or ASC 808, and applies a systematic and rational approach to recognize revenue. The Company classifies payments received as revenue and payments made as a reduction of revenue in the period in which they are earned. Revenue recognized under a collaborative arrangement involving a participant that is not a customer is presented as Collaboration Revenue in the condensed consolidated statement of operations.

## Revenue from Contracts with Customers

In accordance with ASC Topic 606, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for these goods and services. To achieve this core principle, the Company applies the following five steps: 1) identify the customer contract; 2) identify the contract's performance obligations; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when or as a performance obligation is satisfied.

The Company evaluates all promised goods and services within a customer contract and determines which of such goods and services are separate performance obligations. This evaluation includes an assessment of whether the good or service is capable of being distinct and whether the good or service is separable from other promises in the contract. In assessing whether promised goods or services are distinct, the Company considers factors such as the stage of development of the underlying intellectual property and the capabilities of the customer to develop the intellectual property on their own or whether the required expertise is readily available.

Licensing arrangements are analyzed to determine whether the promised goods or services, which often include licenses, research and development services and governance committee services, are distinct or whether they must be accounted for as part of a combined performance obligation. If the license is considered not to be distinct, the license would then be combined with other promised goods or services as a combined performance obligation. If the Company is involved in a governance committee, it assesses whether its involvement constitutes a separate performance obligation. When governance committee services are determined to be separate performance obligations, the Company determines the fair value to be allocated to this promised service.

Certain contracts contain optional and additional items, which are considered marketing offers and are accounted for as separate contracts with the customer if such option is elected by the customer, unless the option provides a material right which would not be provided without entering into the contract. An option that is considered a material right is accounted for as a separate performance obligation.

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring goods and services to the customer. A contract may contain variable consideration, including potential payments for both milestone and research and development services. For certain potential milestone payments, the Company estimates the amount of variable consideration by using the most likely amount method. In making this assessment, the Company evaluates factors such as the clinical, regulatory, commercial and other risks that must be overcome to achieve the milestone. Each reporting period the Company re-evaluates the probability of achievement of such variable consideration and any related constraints. The Company will include variable consideration, without constraint, in the transaction price to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. For potential research and development service payments, the Company estimates the amount of variable consideration by using the expected value method, including any approved budget updates arising from additional research or development services.

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price among the performance obligations on a relative standalone selling price basis unless a portion of the transaction price is variable and meets the criteria to be allocated entirely to a performance obligation or to a distinct good or service that forms part of a single performance obligation.

The Company allocates the transaction price based on the estimated standalone selling price of the underlying performance obligations or, in the case of certain variable consideration, to one or more performance obligations. The Company must develop assumptions that require judgment to determine the stand-alone selling price for each performance obligation identified in the contract. The Company utilizes key assumptions to determine the stand-alone selling price, which may include other comparable transactions, pricing considered in negotiating the transaction and the estimated costs to complete the respective performance obligation. Certain variable consideration is allocated specifically to one or more performance obligations in a contract when the terms of the variable consideration relate to the satisfaction of the performance obligation and the resulting amounts allocated to each performance obligation are consistent with the amount the Company would expect to receive for each performance obligation.

When a performance obligation is satisfied, revenue is recognized for the amount of the transaction price, excluding estimates of variable consideration that are constrained, that is allocated to that performance obligation on a relative standalone selling price basis. 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.

For performance obligations consisting of licenses and other promises, the Company utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring progress for purposes of recognizing revenue from non-refundable, up-front fees. The Company evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition. If the license to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Company will recognize revenue from non-refundable, up-front fees allocated to the license when the license is transferred to the customer and the customer is able to use and benefit from the license.

Revenue recognized under an arrangement involving a participant that is a customer is presented as Customer Revenue.

### Milestones and Royalties

The Company aggregates milestones into four categories: (i) research milestones, (ii) development milestones, (iii) commercial milestones, and (iv) sales milestones. Research milestones are typically achieved upon reaching certain success criteria as defined in each agreement related to developing an Anticalin protein against the specified target. Development milestones are typically reached when a compound reaches a defined phase of clinical research or passes such phase, or upon gaining regulatory approvals. Commercial milestones are typically achieved when an approved pharmaceutical product reaches the status for commercial sale, including regulatory approval. Sales milestones are certain defined levels of net sales by the licensee, such as when a product first achieves global sales or annual sales of a specified amount.

There is uncertainty that the events to obtain the research and development milestones will be achieved given the nature of clinical development and the stage of the Company's technology. The Company has thus determined that all research and development milestones will be constrained until it is deemed probable that a significant revenue reversal will not occur. For revenues from research and development milestones, payments will be recognized consistent with the recognition pattern of the performance obligation to which they relate.

For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and for which the license is deemed to be the predominant item to which the royalties relate, the Company recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied). Commercial milestones and sales royalties are determined by sales or usage-based thresholds and will be accounted for under the royalty recognition constraint as constrained variable consideration.

The Company calculates the maximum amount of potential milestones achievable under each collaboration agreement and discloses such potential future milestones for all current collaborations using such a maximum calculation.

### Contract Balances

The Company recognizes a contract asset when the Company transfers goods or services to a customer before the customer pays consideration or before payment is due, excluding any amounts presented as a receivable (i.e., accounts receivable). A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. The contract liabilities (i.e., deferred revenue) primarily relate to contracts where the Company has received payment but has not yet satisfied the related performance obligations.

In the event of an early termination of a collaboration agreement, any contract liabilities would be recognized in the period in which all Company obligations under the agreement have been fulfilled.

### Costs to Obtain and Fulfill a Contract with a Customer

Certain costs to obtain customer contracts, including success-based fees paid to third-party service providers, and costs to fulfill customer contracts are capitalized in accordance with FASB ASC Topic 340, *Other Assets and Deferred Costs*, or ASC 340. These costs are amortized to expense on a systemic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. The Company will expense the amortization of costs to obtain customer contracts to general and administrative expense and costs to fulfill customer contracts to research and development expense.

### **Government Grants**

The Company recognizes grants from governmental agencies when there is reasonable assurance that the Company will comply with the conditions attached to the grant arrangement and the grant will be received. The Company evaluates the conditions of each grant as of each reporting period to evaluate whether the Company has reached reasonable assurance of meeting the conditions of each grant arrangement and that it is expected that the grant will be received as a result of meeting the necessary conditions. Grants are recognized in the condensed consolidated statements of operations on a systematic basis over the periods in which the Company recognizes the related costs for which the government grant is intended to compensate. Specifically, grant income related to research and development costs is recognized as such expenses are incurred. Grant income is included as a separate caption within Other income (expense) in the condensed consolidated statements of operations.

### **Leases**

In accordance with accounting standards update, or ASU, No. 2016-2, Leases (Topic 842), or ASC 842, and for each of the Company's leases, the following is recognized: (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.

The Company determines if an arrangement is a lease at inception. The Company's contracts are determined to contain a lease within the scope of ASC 842 when all of the following criteria based on the specific circumstances of the arrangement are met: (1) there is an identified asset for which there are no substantive substitution rights; (2) the Company has the right to obtain substantially all of the economic benefits from the identified asset; and (3) the Company has the right to direct the use of the identified asset.

At the commencement date, operating lease liabilities and their corresponding right-of-use assets are recorded based on the present value of future lease payments over the expected lease term. The Company's lease agreements do not provide an implicit rate. As a result, the Company utilizes an estimated incremental borrowing rate to discount lease payments, which is based on the rate of interest the Company would have to pay to borrow a similar amount on a collateralized basis over a similar term and based on observable market data points. Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or lease incentives received. Operating lease cost is recognized over the expected term on a straight-line basis.

The Company typically only includes an initial lease term in its assessment of a lease agreement. Options to renew a lease are not included in the Company's assessment unless there is reasonable certainty that the Company will renew. The expected lease term includes noncancellable lease periods and, when applicable, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option, as well as periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

Assumptions made by the Company at the commencement date are re-evaluated upon occurrence of certain events, including a lease modification. A lease modification results in a separate contract when the modification grants the lessee an additional right of use not included in the original lease and when lease payments increase commensurate with the standalone price for the additional right of use. When a lease modification results in a separate contract, it is accounted for in the same manner as a new lease.

When a lease is terminated in its entirety, the corresponding lease liability and right-of-use asset are adjusted to zero. Any difference between the carrying amounts of the right-of-use asset and lease liability as compared to the termination payment is recorded in the statement of operations as a gain or loss.

### Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures, that requires a public entity to disclose significant segment expenses and other segment items on an annual and interim basis and provide in interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. It requires a public entity to also disclose the title and position of the Chief Operating Decision Maker. The ASU will be effective for all entities for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the effect on the condensed consolidated financial statements.

On December 14, 2023, the FASB issued ASU 2023-09, or ASU 2023-09, Improvements to Income Tax Disclosures. The standard requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. ASU 2023-09 applies to all entities subject to income taxes. For public business entities, the new requirements will be effective for annual periods beginning after December 15, 2024. For entities other than public business entities, the requirement will be effective for annual periods beginning after December 15, 2025. The Company is currently evaluating the effect on the condensed consolidated financial statements.

### 3. Revenue

#### General

The Company has not generated revenue from product sales. The Company has generated revenue from contracts with customers (option, license and collaboration agreements), which include upfront payments for licenses or options to obtain licenses, payments for research and development services and milestone payments.

The Company recognized revenue from the following strategic partnerships and other license agreements (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Pfizer (formerly Seagen)	\$ —	\$ 9,179	\$ 6	\$ 14,088
AstraZeneca	—	3,909	—	8,399
Servier	—	3,951	47	3,846
Genentech	—	—	—	12,697
Boston Pharmaceuticals	—	2,481	—	2,481
<b>Total Revenue</b>	<b>\$ —</b>	<b>\$ 19,520</b>	<b>\$ 53</b>	<b>\$ 41,511</b>

As of September 30, 2024, under the Company's existing strategic partnerships and other license agreements, the Company could receive the following potential milestone payments (in millions):

	Research, Development, Regulatory & Commercial Milestones	Sales Milestones
Pfizer (formerly Seagen)	\$ 759	\$ 450
Boston Pharmaceuticals	85	265
<b>Total potential milestone payments</b>	<b>\$ 844</b>	<b>\$ 715</b>

#### Strategic Partnerships

##### Genentech

On May 19, 2021, the Company and Genentech, Inc., or Genentech, entered into a Research Collaboration and License Agreement, or the Genentech Agreement, to discover, develop and commercialize locally delivered respiratory and ophthalmology therapies that leverage the Company's proprietary Anticalin technology. Upon signing the Genentech Agreement, Genentech paid the Company a \$20 million upfront fee.

Under the terms of the Genentech Agreement, the Company was responsible for discovery and preclinical development of two initial programs. In April and May 2023, Genentech and the Company decided to discontinue the discovery-stage programs in ophthalmology and respiratory, respectively, for scientific reasons. Pursuant to this decision, the material right performance obligations related to the target swaps for these programs also expired. Based on these decisions, there are no more active performance obligations remaining under the collaboration and the Company recognized all remaining revenue, or \$12.5 million, under the collaboration in the three months ended June 30, 2023.



Genentech also had options to select two additional programs with the payment of a fee, which expired in May 2024. With the expiration of these options and no programs active or ongoing, the Genentech Agreement also expired.

#### Boston Pharmaceuticals

On April 24, 2021, the Company and BP Asset XII, Inc., or Boston Pharmaceuticals, a subsidiary of Boston Pharma Holdings, LLC, entered into an Exclusive Product License Agreement, or the BP Agreement, to develop BOS-342, also referred to as PRS-342, a 4-1BB/GPC3 preclinical immunology Mabcalin® (antibody-Anticalin fusion) protein.

Under the terms of the BP Agreement, Boston Pharmaceuticals exclusively licensed worldwide rights to BOS-342. The Company received an upfront payment and is further entitled to receive development, regulatory and sales-based milestone payments, tiered royalties up to low double-digits on sales of BOS-342 and a percentage of consideration received by Boston Pharmaceuticals in the event of a sublicense of a program licensed under the BP Agreement or a change of control of Boston Pharmaceuticals.

The Company recognized the full transaction price as revenue in 2021 and has no remaining obligations. In August 2023, the first patient was dosed in the Boston Pharmaceuticals sponsored Phase 1/2 study of PRS-342/BOS-342 in hepatocellular carcinoma (HCC), for which the Company received a milestone payment of \$2.5 million.

#### Pfizer (formerly Seagen)

On February 8, 2018, the Company entered into a license and collaboration agreement, or the Pfizer Collaboration Agreement, and a non-exclusive Anticalin platform technology license agreement, or the Pfizer Platform License, and together with the Pfizer Collaboration Agreement, the Pfizer Agreements, with Pfizer Inc., or Pfizer, pursuant to which the parties agreed to develop multiple targeted bispecific IO treatments for solid tumors and blood cancers.

Under the terms of the Pfizer Agreements, the companies agreed to pursue multiple antibody-Anticalin fusion proteins during the research phase. The Pfizer Agreements provide Pfizer an option to select up to three programs for further development, which Pfizer did, and Pfizer is responsible for developing, funding and commercializing each of these programs.

On March 24, 2021, the Company entered into a Second Pfizer Amendment (formerly the Second Seagen Amendment), to amend the existing immunology collaboration agreement relating to joint development and commercial rights for one program in the alliance. Under the Second Pfizer Amendment, the Company retains a co-promotion option in the United States for one program, while Pfizer remains solely responsible for the development and overall commercialization of that program. The Company will also be entitled to increased royalties from that program if it chooses to exercise the co-promotion option.

Under the Pfizer Agreements, the Company is eligible to receive other various research, development, commercial and sales milestones. There is uncertainty that the events to obtain the research and development milestones will be achieved given the nature of clinical development and the stage of the Company's technology. The Company has thus determined that all research and development milestones will be constrained until it is deemed probable that a significant revenue reversal will not occur, with the exception of the \$5.0 million milestone as described in the following paragraph.

In January 2023, the Company achieved a milestone for the first program in the Pfizer collaboration for \$5.0 million. The Company evaluated the recognition of the milestone under ASC 606 and concluded that the constraints on the milestone no longer existed as of December 31, 2022 and therefore recorded the full \$5.0 million as revenue for the year ended December 31, 2022.

In September 2023, Pfizer and the Company entered into an amendment of the Second Pfizer Amendment that provides Pfizer with collaboration product licenses and no changes to the amounts achievable under the collaboration agreement. The effect of the September 2023 amendment was to transfer responsibility for substantially all activities previously performed by the Company to Pfizer. Subsequently, in December 2023, the transfer of the programs was fully approved by the combined joint steering committee. Accordingly, the Company recognized revenue of approximately \$10.1 million for the delivery on its performance obligations related to the two programs for the year ended December 31, 2023. With this amendment, the Company has satisfied all remaining obligations under the collaboration.

#### AstraZeneca

On May 2, 2017, the Company entered into a license and collaboration agreement, or the AstraZeneca Collaboration Agreement, and a non-exclusive Anticalin platform technology license agreement, or AstraZeneca Platform License, and together with the AstraZeneca Collaboration Agreement, the AstraZeneca Agreements, with AstraZeneca AB, or AstraZeneca, which became effective on June 10, 2017, following expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

In addition to elarekibep (formerly known as PRS-060/AZD1402), or the AstraZeneca Lead Product, the Company and AstraZeneca agreed to collaborate, under the original terms of the AstraZeneca Collaboration Agreement, to progress four additional novel Anticalin proteins against undisclosed targets for respiratory diseases, or the AstraZeneca Collaboration Products, and together with the AstraZeneca Lead Product, the AstraZeneca Products. The first two discovery-stage programs were discontinued in 2022. The third discovery-stage program was discontinued in the second quarter of 2023, which led to recognition of \$4.0 million of revenue in that same quarter.

In June 2023, based on non-clinical safety findings in a 13-week toxicology study of elarekibep in non-human primates previously disclosed by the Company, AstraZeneca notified us of its decision to discontinue and cease dosing in the ongoing clinical studies of elarekibep. There was no effect to revenue as a result of the discontinuation of this program.

On July 17, 2023, as a result of the non-clinical safety finding in the 13-week toxicology study of elarekibep in non-human primates, AstraZeneca notified the Company of its intention to terminate the AstraZeneca Collaboration Agreement and the AstraZeneca Platform License, effective October 15, 2023. As a result of this, the remaining amount of current deferred revenue, or \$3.5 million, related to the fourth discovery-stage program was recognized in revenue in the third quarter of 2023. With the termination of the AstraZeneca Agreements, there are no more active programs or performance obligations related to the collaboration. Following the termination date, the Company determined that it would not continue development of the programs under the AstraZeneca Agreements.

#### Servier

In 2017, the Company entered into a license and collaboration agreement, or Servier Collaboration Agreement, and a non-exclusive Anticalin platform license agreement, or Servier Platform License Agreement, and together with the Servier Collaboration Agreement, the Servier Agreements, with Les Laboratoires Servier and Institut de Recherches Internationales Servier, or Servier, pursuant to which the Company and Servier agreed to initially pursue five bispecific therapeutic programs. The intention of the collaboration and defined programs was to combine antibodies from the Servier portfolio with one or more Anticalin proteins based on the Company's proprietary platform to generate innovative IO bispecific drug candidates.

Since inception, four of the five initially committed programs have been discontinued by Servier. The Company does not presently intend to continue development of the four discontinued programs but retains full rights to advance the development and commercialization of those products on a world-wide basis in the future.

In July 2023, the Company notified Servier of its decision to opt out of co-development and commercialization of S095012, also referred to as PRS- 344, a 4- 1BB/PD- L1 bispecific Mabcalin protein, in the United States. With the decision to opt out of co-development of S095012, the Company recognized the remaining revenue under the collaboration, or \$4.7 million, in 2023 and there are no more active co-development programs under the collaboration.

On June 28, 2024, Servier provided the Company with a written notice of termination of the Servier Collaboration Agreement. Pursuant to the Servier Platform License Agreement, the Servier Platform License Agreement terminates upon termination of the Servier Collaboration Agreement. The Servier Collaboration Agreement and Servier Platform License Agreements will terminate effective December 27, 2024, or 180 days from the date on which Servier notified the Company of its intent to terminate both agreements.

With this notice, Servier will discontinue and cease dosing in the Phase 1 clinical study of S095012. Servier's decision to terminate both agreements was based on a potential safety concern in S095012 Phase 1 clinical studies. The Company does not intend to pursue any further development of S095012.

#### **Contract Balances**

The Company receives payments from its collaboration partners based on payments established in each contract. Upfront payments and fees are recorded as deferred revenue upon receipt or when due until such time as the Company satisfies its performance obligations under each arrangement. A contract asset is a conditional right to consideration in exchange for goods or services that the Company has transferred to a customer. Amounts are recorded as accounts receivable when the Company's right is unconditional.

There were no additions to deferred revenue during the three and nine months ended September 30, 2024. There were no reductions to deferred revenue for the three and nine months ended September 30, 2024 and reductions to deferred revenue were \$17.1 million and \$38.7 million for the three and nine months ended September 30, 2023 respectively.

#### **4. Grant Income**

One of the Company's proprietary respiratory assets, PRS-220, an oral inhaled Anticalin protein targeting connective tissue growth factor, or CTGF, was being developed as a local treatment for idiopathic pulmonary fibrosis, and other forms for fibrotic lung disorders. In June 2021, the Company received a €14.2 million (approximately \$17.0 million) grant from the Bavarian Ministry of Economic Affairs, Regional Development and Energy (the Bavarian Grant) supporting research and development for post-acute sequelae of SARS-CoV-2 infection (PASC) pulmonary fibrosis, or PASC-PF, also known as post-COVID-19 syndrome pulmonary fibrosis, or long COVID.

The Bavarian Grant provided partial reimbursement for qualifying research and development activities on PRS-220, including drug manufacturing costs, activities and costs to support an IND filing, and Phase 1 clinical trials costs. The Bavarian Grant provided reimbursement of qualifying costs incurred through December 2023, with submission for reimbursements allowed through February 2024, which was successfully completed by the Company. As of September 30, 2024, all reimbursable amounts subject to the Bavarian Grant have been received by the Company.

## 5. Cash, cash equivalents and investments

As of September 30, 2024 and December 31, 2023, cash, cash equivalents and investments comprised funds in depository, money market funds and U.S. treasury securities. The following tables present the cash equivalents and investments carried at fair value in accordance with the hierarchy defined in Note 2 at September 30, 2024 and December 31, 2023.

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>September 30, 2024</b>				
Money market funds, included in cash equivalents	\$ 11,893	\$ 11,893	\$ —	\$ —
Total	\$ 11,893	\$ 11,893	\$ —	\$ —

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>December 31, 2023</b>				
Money market funds, included in cash equivalents	\$ 13,224	\$ 13,224	\$ —	\$ —
Investments - US treasuries	8,970	8,970	—	—
Total	\$ 22,194	\$ 22,194	\$ —	\$ —

Cash equivalents and marketable securities have been initially valued at the transaction price and subsequently valued, at the end of each reporting period, utilizing third party pricing services or other market observable data. The pricing services utilize industry standard valuation models, including both income and market-based approaches and observable market inputs to determine value. The Company validates the prices provided by its third-party pricing services by reviewing their pricing methods and obtaining market values from other pricing sources, as needed. After completing its validation procedures, the Company did not adjust any fair value measurements provided by the pricing services as of September 30, 2024.

The Company recorded no realized gains or losses from the maturity of available-for-sale securities during the three and nine months ended September 30, 2024 and recorded no realized gains or losses and \$0.1 million in realized losses from the maturity of available-for-sale securities during the three and nine months ended September 30, 2023, respectively.

## 6. Assets Held for Sale

As of September 30, 2024 and December 31, 2023, assets held for sale are summarized as follows (in thousands):

	September 30, 2024	December 31, 2023
Laboratory furniture and equipment	\$ —	\$ 1,967
Office furniture and equipment	—	221
<b>Assets held for sale</b>	<b>\$ —</b>	<b>\$ 2,188</b>

At the end of the third quarter of 2023, as part of the Company's strategic process for maximizing the value of assets, the Company committed to a plan to prepare and sell all property and equipment held at the Hallbergmoos, Germany location. The sale of the assets was deemed probable as a result of management's decision, including the estimated timing of sale which was determined to be within a year of the decision. As a result of this decision, the property and equipment met the criteria for held-for-sale accounting.

The net book value of its long-lived assets, as of December 31, 2023 represents the Company's best estimate of the fair value less costs to sell that could be recovered related to lab and office equipment and furniture as part of the Company's initiative to monetize all remaining assets. As the estimated selling price less costs to sell are based primarily on unobservable inputs as they relate to the location and condition of the specific lab equipment and furniture, they are classified in Level 3 in the fair value hierarchy. In the nine months ended September 30, 2024, the Company conducted an auction, with the assistance of a third party, of its assets held for sale. After the conclusion of the auction, the Company recovered the total net book value of the assets held for sale and recorded a gain on the sale of the assets of \$0.2 million within "Other income (loss)" in the accompanying condensed consolidated statements of operations and comprehensive loss for the nine months ended September 30, 2024.

## 7. Accrued Expenses

Accrued expenses and other current liabilities consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Compensation expense	\$ 2,306	\$ 6,448
Research and development fees	—	968
Accrued accounts payable	60	558
Other current liabilities	1,031	363
Accrued license obligations	56	213
Total	\$ 3,453	\$ 8,550



[Table of Contents](#)

The compensation expense line item in the above table includes both severance and benefit costs associated with the Company's corporate restructuring actions announced in 2023, inclusive of those employees retained as the service period to earn such benefits is considered complete. The Company recognized restructuring expenses consisting of one-time cash severance payments and other employee-related costs. Severance pay and related costs for certain retained employees are estimated to be paid through the end of 2024. The Company recorded these restructuring charges based on each employee's role to the respective research and development and general and administrative operating expense categories on its condensed consolidated statements of operations and comprehensive loss.

The following tables includes a roll forward of the restructuring activity and payments recorded for the three and nine months ended September 30, 2024 (in thousands):

	<b>Severance and Benefits Costs</b>
Balance at June 30, 2024	\$ 2,850
Adjustments to restructuring charges	\$ 183
Cash payments	(805)
<b>Balance at September 30, 2024</b>	<b>\$ 2,228</b>
	<b>Severance and Benefits Costs</b>
Balance at December 31, 2023	\$ 5,105
Adjustments to restructuring charges	\$ (86)
Cash payments	(2,791)
<b>Balance at September 30, 2024</b>	<b>\$ 2,228</b>

## 8. Net Loss per Share

Basic net loss per share is calculated by dividing net loss by the weighted average shares outstanding during the period, without consideration for common stock equivalents. Diluted net loss per share is calculated by adjusting weighted average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock and if-converted methods. For purposes of the diluted net loss per share calculation, preferred stock, stock options and warrants are considered to be common stock equivalents but have been excluded from the calculation of diluted net loss per share, as their effect would be anti-dilutive for all periods presented.

A reconciliation of basic and diluted net loss per share is as follows (in thousands, except for per share data):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Net loss	\$ (2,887)	\$ (10,752)	\$ (11,369)	\$ (19,959)
Basic weighted average common shares outstanding	1,320	1,236	1,285	1,089
Diluted weighted average common shares outstanding	1,320	1,236	1,285	1,089
Basic net loss per share	\$ (2.19)	\$ (8.70)	\$ (8.84)	\$ (18.33)
Diluted net loss per share	\$ (2.19)	\$ (8.70)	\$ (8.84)	\$ (18.33)

As of September 30, 2024 and 2023, and as calculated using the treasury stock method, approximately 0.5 million of weighted average shares, were excluded from the calculation of diluted weighted average shares outstanding as their effect was antidilutive.

This amount includes approximately 0.1 million of warrants to purchase one share of the Company's common stock with an exercise price of \$568.00. These were issued with a five-year term in connection with the 2019 private placement financing and expired in November of 2024.

## 9. Stockholders' Equity

Effective at 5:00 p.m. Eastern Time on April 22, 2024, the Company effected a 1-for-80 Reverse Split of its common stock. All references to shares of common stock outstanding, average number of shares outstanding and per share amounts in this Quarterly Report on Form 10-Q have been restated to reflect the Reverse Split on a retroactive basis.

The Company had 3,750,000 shares authorized and 1,320,240 shares and 1,236,688 shares of common stock issued and outstanding as of September 30, 2024 and December 31, 2023, respectively, with a par value of \$0.001 per share.

The Company had 10,000,000 shares authorized, 15,618 shares of preferred stock issued and outstanding as of September 30, 2024 and 15,618 shares of preferred stock issued and outstanding as of December 31, 2023. Preferred stock has a par value of \$0.001 per share, and the Series A-E convertible preferred stock converts on a factor of 13.34 common shares for each preferred share, and consists of the following:

- Series A Convertible, 85 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively.
- Series B Convertible, 4,026 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively.
- Series C Convertible, 3,506 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively.
- Series D Convertible, 3,000 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively.
- Series E Convertible, 5,000 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively.
- Series F Preferred, 1 share issued and outstanding at September 30, 2024, and no shares issued and outstanding at December 31, 2023

## **Subscription and Investment Representation Agreement (Series F Preferred Stock)**

On August 7, 2024, the Company entered into a Subscription and Investment Representation Agreement with the Purchaser, pursuant to which the Company agreed to issue and sell one ( 1 ) share of the Company's Series F Preferred Stock, par value \$0.001 per share, to the Purchaser for \$1.00 cash. The sale closed on August 7, 2024.

### *Voting Rights*

The Series F Preferred Stock have no voting rights other than the right to vote on the Authorized Share Increase Proposal . Each share of Series F Preferred Stock outstanding on the record date entitles the holder thereof to 25,000,000 votes on Authorized Share Increase Proposal, and all shares of Series F Preferred Stock held by such holder must and will be voted, without further action by such holder, in the same proportion as the aggregate shares of Pieris common stock (excluding any shares of Pieris common stock that are not voted) that are voted on the Authorized Share Increase Proposal. As an example, if 70% of the aggregate votes cast by Pieris common stock voting on the Authorized Share Increase Proposal are voted in favor thereof and 30% of the aggregate votes cast by Pieris common stock voting on the Authorized Share Increase Proposal are voted against such Proposal, then 70% of the votes entitled to be cast by the Series F Preferred Stock will be cast in favor of the Proposal and 30% of such votes will be cast against the Proposal. For purposes of the foregoing, abstentions and broker non-votes will not be considered votes cast.

### *Conversion and Redemption*

Shares of the Series F Preferred Stock are not convertible into any other security, and are redeemable by the Company upon the earlier to occur of: (i) the order of the Pieris board of directors in its sole discretion, automatically and effective at such date and time as is determined and specified by the Pieris board of directors in its sole discretion and (ii) automatically and effective immediately after the effectiveness of the increase in the number of authorized shares of Pieris common stock proposed in the Authorized Share Increase Proposal. Upon redemption, the holder of the Series F Preferred Stock will receive cash consideration of \$0.01 per share. Shares of the Series F Preferred Stock may not be transferred prior to their redemption without the prior written consent of the Pieris board of directors.

### *Other Rights and Restrictions*

Each holder of Series F Preferred Stock has entered into a written agreement with the Company to attend the Pieris special meeting, to vote all shares of Series F Preferred Stock with regard to the Authorized Share Increase Proposal in the same proportion as the aggregate shares of Pieris common stock (excluding any shares of Pieris common stock that are not voted) are voted on the Authorized Share Increase Proposal and, upon request by the Company, to grant a designee of the Company an irrevocable proxy to vote the shares of Series F Preferred Stock in accordance with the foregoing.

## **2020 Employee, Director and Consultant Equity Incentive Plan**

At the 2020 Annual Meeting of Stockholders, the Company's stockholders approved the 2020 Employee, Director and Consultant Equity Incentive Plan, or the 2020 Plan. The 2020 Plan permits the Company to issue up to 43,750 shares of common stock pursuant to awards granted under the 2020 Plan. Upon approval of the 2020 Plan, the 2019 Employee, Director and Consultant Equity Incentive Plan, or the 2019 Plan, was terminated; all unissued options were canceled and no additional awards will be made thereunder. All outstanding awards under the 2019 Plan will remain in effect and any awards forfeited from the outstanding awards will be allocated back into the 2020 Plan. There were approximately 19,746 shares remaining and available for grant under the 2019 Plan that terminated upon original approval of the 2020 Plan.

At the 2021 Annual Meeting of Stockholders, held on June 25, 2021, the Company's stockholders approved the first amendment to the 2020 Plan to add 28,125 shares for issuance under the 2020 Plan. At the 2022 Annual Meeting of Stockholders held on June 22, 2022, the Company's stockholders approved a second amendment to the 2020 Plan to add 37,500 shares of common stock for issuance under the 2020 Plan. At the 2023 Annual Meeting of Stockholders held on June 21, 2023, the Company's stockholders approved a third amendment to the 2020 Plan to add 75,000 shares of common stock for issuance under the 2020 Plan. As of September 30, 2024, there are 333,145 shares remaining and available for grant under the 2020 Plan.

## **2023 Employee Stock Purchase Plan**

At the 2023 Annual Meeting of Stockholders, the Company's stockholders approved the 2023 Employee Stock Purchase Plan, or the 2023 ESPP. The 2023 ESPP provides eligible employees with the opportunity to purchase shares of the Company's common stock at a discount, on a tax-favored basis, through regular payroll deductions in compliance with federal tax regulations. The Company has reserved 9,375 shares of common stock for issuance under the 2023 ESPP.

## Open Market Sales Agreements

In August 2021, the Company established an at-the-market program, or ATM Program, under a sales agreement with Jefferies LLC, pursuant to which the Company may offer and sell shares of its common stock from time to time, up to an aggregate amount of gross sales proceeds of \$50.0 million. The ATM Program is offered under a shelf registration statement on Form S-3 that was filed with and declared effective by the SEC in August 2021. In November 2022, the sales agreement was amended to provide for an increase in the aggregate offering amount, such that under the ATM Program, as amended, the Company may offer and sell shares of its common stock, from time to time, up to an aggregate amount of gross sales proceeds of \$75.0 million.

For the nine months ended September 30, 2024, the Company did not sell any shares under the ATM Program. For the nine months ended September 30, 2023, the Company sold 24.3 million shares for gross proceeds of \$20.3 million under the ATM Program at an average stock price of \$0.84 per share.

The Company is currently subject to the SEC general instructions of Form S-3 known as the “baby shelf rules.” Under these instructions, the amount of funds the Company can raise through primary public offerings of securities in any 12-month period using its registration statement on Form S-3 is limited to one-third of the aggregate market value of the shares of the Company’s common stock held by non-affiliates. Therefore, the Company will be limited in the amount of proceeds it is able to raise by selling shares of its common stock using its Form S-3, including under the ATM Program, until such time as its public float exceeds \$75 million.

## 10. Leases

The Company generally conducts its operational functions in the United States remotely.

In October 2018, Pieris Pharmaceuticals GmbH entered into a lease for office and laboratory space located in Hallbergmoos, Germany, or the Hallbergmoos Lease. The Hallbergmoos Lease was subsequently amended in May 2019 and February 2020. The Hallbergmoos Lease, as amended, provided an initial rental term of 12.5 years, and a rental area of approximately 105,000 square feet.

In December 2023, Pieris Pharmaceuticals GmbH entered into an agreement to terminate the Hallbergmoos Lease, or the Lease Termination Agreement. Under the terms of the Lease Termination Agreement, Pieris Pharmaceuticals GmbH terminated the Hallbergmoos Lease in exchange for a termination fee of approximately €9.7 million, and vacated the majority of the premises by December 31, 2023, while continuing to occupy, through June 2024, a limited portion of the office space and using another portion of the former lab space to house its assets being held for sale.

There was no cash paid for amounts included in the measurement of the lease liabilities for the three and nine months ended September 30, 2024. Cash paid for amounts included in the measurement of the lease liabilities was \$0.5 million and \$1.6 million for the three and nine months ended September 30, 2023, respectively.

The following table summarizes operating lease costs included in operating expenses (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease costs	\$ —	\$ 280	\$ —	\$ 862
Variable lease costs (1)	—	98	—	476
Total lease cost	\$ —	\$ 378	\$ —	\$ 1,338

(1) Variable lease costs include certain additional charges for operating costs, including insurance, maintenance, taxes, utilities, and other costs incurred, which are billed based on both usage and as a percentage of the Company’s share of total square footage.

## 11. Merger Agreement with Palvella Therapeutics, Inc.

On July 23, 2024, the Company and its wholly-owned subsidiary, Merger Sub entered into the Merger Agreement with Palvella whereby Merger Sub will merge with and into Palvella, with Palvella continuing as a wholly-owned subsidiary of the Company and the surviving corporation of the Merger. If the Merger is completed, the business of Palvella will continue as the business of the combined organization. Consummation of the Merger is contingent on certain closing conditions as identified in the Merger Agreement, including among others, (1) approval by the Company’s stockholders of the Required Voting Proposals, as defined in the Merger Agreement, (2) approval by the Palvella stockholders of the adoption of the Merger Agreement, (3) Nasdaq’s approval of the listing of the shares of the Company’s common stock to be issued in connection with the Merger, (4) the effectiveness of the Registration Statement, and (5) consummation of the PIPE Financing, all in accordance with the terms of the Purchase Agreement.

Each party’s obligation to consummate the Merger is also subject to other specified customary conditions, including the representations and warranties of the other party being true and correct as of the date of the Merger Agreement and as of the closing date of the Merger, generally subject to an overall material adverse effect qualification, the performance in all material respects by the other party of its obligations under the Merger Agreement required to be performed on or prior to the date of the closing of the Merger and the absence of any material adverse effect affecting the other party that is continuing on the closing date.

Subject to the terms and conditions of the Merger Agreement, at the Effective Time, as defined in the Merger Agreement, (i) each then-outstanding share of Palvella capital stock will be converted into the right to receive a number of shares of the Company’s common stock equal to the Exchange Ratio as defined in the Merger Agreement; and (ii) each then-outstanding Palvella stock option to purchase Palvella common stock will be assumed by the Company, subject to adjustment as set forth in the Merger Agreement. In connection with the Merger, and contingent on the approval of the Company’s stockholders, the Company intends to amend the amended and restated articles of incorporation of the Company to increase the number of shares of authorized common stock, change the corporate name of the Company to “Palvella Therapeutics, Inc.” and adopt a new 2024 equity incentive plan. The provisions for calculating the Exchange Ratio are set forth in the Merger Agreement, and assume a valuation for Palvella equal to \$95 million, and a valuation for Pieris equal to \$21 million, provided, that (a) if Pieris’ net cash as of the closing is greater than \$11 million, then Pieris’ valuation will be adjusted upwards on a dollar-for-dollar basis by the difference of: (i) Pieris’ net cash, minus (ii) \$11 million, and (b) if Pieris’ net cash is less than \$11 million, then Pieris’ valuation will be adjusted downwards on a dollar-for-dollar basis by the difference of: (i) \$11 million, minus (ii) Pieris’ net cash.

For the purposes of calculating the Exchange Ratio for each of Pieris and Palvella, the total number of shares of capital stock of such company issued and outstanding immediately prior to the Merger, expressed on a fully-diluted and as-converted to common stock basis, calculated using the treasury stock method, will be included in the calculation of the Exchange Ratio. Shares of Pieris common stock underlying Pieris stock options outstanding immediately prior to the Effective Time with an exercise price per share of less than the volume weighted average closing trading price of a share of Pieris common stock on the Nasdaq for the five consecutive trading days ending five trading days immediately prior to the date upon which the Merger occurs will be deemed to be outstanding, calculated using the treasury stock method, and all shares of Palvella common stock underlying outstanding Palvella stock options, warrants and other derivative securities will be deemed to be outstanding, calculated using the treasury stock method, subject to certain exceptions set forth in the Merger Agreement.

Under the terms of the Merger Agreement, on a pro forma basis, it is expected that upon the closing of the Merger, pre-Merger Company stockholders will own approximately 18% of the combined company and pre-Merger Palvella stockholders will own approximately 82% of the combined company, based on the number of shares of the Company's common stock expected to be issued in connection with the Merger, in each case, prior to the issuance of shares under a proposed concurrent private financing. The percentage of the combined company that pre-merger Palvella stockholders and pre-merger Pieris stockholders will own upon the closing of the merger is subject to further adjustment based on the amount of Pieris' net cash at the time of closing.

In connection with the Merger, Pieris will seek the approval or ratification, as applicable, by its stockholders of, among other things, (a) the issuance of the shares of Pieris common stock issuable in connection with the Merger under the rules of The Nasdaq Stock Market LLC pursuant to the terms of the Merger Agreement, (b) amendments to the amended and restated articles of incorporation of Pieris to (i) increase the number of shares of authorized common stock and (ii) change the name of Pieris to "Palvella Therapeutics, Inc." (the approvals described in clause (a) and (b), the "Required Pieris Voting Proposals") and (c) the adoption of a new 2024 equity incentive plan, in each case, as described in the Merger Agreement.

Each of Pieris and Palvella has agreed to customary representations, warranties and covenants in the Merger Agreement, including, among others, covenants relating to (1) using reasonable best efforts to obtain the requisite approvals of their respective stockholders, (2) non-solicitation of alternative acquisition proposals, (3) the conduct of their respective businesses during the period between the date of signing the Merger Agreement and the closing of the Merger, (4) Pieris using its commercially reasonable efforts to maintain the existing listing of the Pieris common stock on Nasdaq and Pieris causing the shares of Pieris common stock to be issued in connection with the Merger to be approved for listing on Nasdaq prior to the closing of the Merger and (5) Pieris filing with the SEC and causing to become effective a registration statement to register the shares of Pieris common stock to be issued in connection with the Merger, or Registration Statement. The Registration Statement related to the Merger was included on the Form S-4 filed by the Company with the SEC on August 9, 2024, and was subsequently amended on September 23, 2024, October 15, 2024, November 5, 2024, and November 7, 2024. The Registration Statement was declared effective by the SEC on November 8, 2024.

The transaction is expected to close in the fourth quarter of 2024 and remains subject to stockholder approval.

#### *Contingent Value Rights*

At or prior to the Effective Time, Pieris will enter into a Contingent Value Rights Agreement, or CVR Agreement, with a rights agent, or Rights Agent, pursuant to which Pieris' pre-Merger capital stockholders will receive one contingent value right, or a CVR, for each outstanding share of Pieris common stock held by such stockholder, or share of common stock underlying preferred stock held by such stockholder, on such date. Each CVR will represent the contractual right to receive payments upon the receipt of payments by Pieris or any of its affiliates under certain strategic partner agreements, including existing collaboration agreements pursuant to which Pieris may be entitled to milestones and royalties in the future and other out-licensing agreements for certain of Pieris' legacy assets, and upon the receipt of certain research and development tax credits in favor of Pieris or any of its affiliates, in each case as set forth in, and subject to and in accordance with the terms and conditions of, the CVR Agreement.

The contingent payments under the CVR Agreement, if they become payable, will become payable to the Rights Agent for subsequent distribution to the holders of the CVRs. In the event that no such proceeds are received, holders of the CVRs will not receive any payment pursuant to the CVR Agreement. There can be no assurance that holders of CVRs will receive any amounts with respect thereto. The right to the contingent payments contemplated by the CVR Agreement is a contractual right only and will not be transferable, except in the limited circumstances specified in the CVR Agreement. The CVRs will not be evidenced by a certificate or any other instrument and will not be registered with the SEC. The CVRs will not have any voting or dividend rights and will not represent any equity or ownership interest in Pieris or any of its affiliates. No interest will accrue on any amounts payable in respect of the CVRs.

#### *Termination Fees*

The Merger Agreement contains certain termination rights of each of Pieris and Palvella, including, subject to compliance with the applicable terms of the Merger Agreement, the right of each party to terminate the Merger Agreement to enter into a definitive agreement for a superior proposal. Upon termination of the Merger Agreement under specified circumstances, Pieris may be required to pay Palvella a termination fee of \$1.0 million and Palvella may be required to pay Pieris a termination fee of \$2.0 million.

#### *Securities Purchase Agreement*

On July 23, 2024, and in connection with the executed Merger Agreement, Pieris entered into a securities purchase agreement, or the Purchase Agreement, with certain investors, including BVF Partners, L.P., an existing stockholder of Pieris, or the PIPE Investors, pursuant to which, among other things, the PIPE Investors have agreed to subscribe for and purchase (either for cash or in exchange for the termination and cancellation of outstanding convertible notes issued by Palvella), and Pieris agreed to issue and sell to the PIPE Investors, an aggregate of approximately 3,154,241 of shares of Pieris common stock at a price per share equal to \$13.7299 multiplied by (x) 0.315478 divided by (y) the Exchange Ratio, or the Purchase Price, subject to adjustment as set forth in the Purchase Agreement, and/or in lieu of Pieris common stock to certain purchasers who so choose, pre-funded warrants, or the Pre-Funded Warrants, to purchase up to 2,592,585 shares of Pieris common stock at a purchase price per Pre-Funded Warrant equal to the Purchase Price minus \$0.001, subject to adjustment as set forth in the Purchase Agreement, or the PIPE Financing. The Purchase Agreement contains customary representations and warranties of Pieris, on the one hand, and the PIPE Investors, on the other hand, and customary conditions to closing, including the consummation of the Merger. The gross proceeds from the PIPE Financing are expected to be approximately \$78.9 million, before paying estimated expenses. The closing of the PIPE Financing is expected to occur in connection with and immediately following the consummation of the Merger.

The Pre-Funded Warrants do not expire, and each Pre-Funded Warrant will be exercisable at any time after the date of issuance of such Pre-Funded Warrant, subject to a beneficial ownership limitation. A holder of a Pre-Funded Warrant may not exercise such Pre-Funded Warrant if the holder, together with its affiliates, would beneficially own more than 4.99% or 9.99% of the number of shares of Pieris common stock outstanding immediately after giving



effect to such exercise, provided, however, that a holder may increase or decrease the beneficial ownership limitation by giving 61 days' notice to the Company, but not to any percentage in excess of 19.99%.

At or prior to the closing of the PIPE Financing, Pieris will enter into a registration rights agreement, or the Registration Rights Agreement, with the PIPE Investors pursuant to which the PIPE Investors will be entitled to certain resale registration rights with respect to shares of Pieris common stock issued to the PIPE Investors and any shares of Pieris common stock issued upon exercise of the Pre-Funded Warrants. Pursuant to the Registration Rights Agreement, the Company will be required to prepare and file a resale registration statement with the SEC within 30 days following the closing of the PIPE Financing. The Company shall use its commercially reasonable efforts to cause this registration statement to be declared effective by the SEC within 90 days following the closing of the PIPE Financing (or within 120 days following the PIPE Financing if the SEC reviews the registration statement).

## 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, 2023, 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 fiscal year ended December 31, 2023, filed with the SEC on March 29, 2024. 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, or implied by, 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 fiscal year ended December 31, 2023 as well as those included in this Quarterly Report on Form 10-Q for the quarters ended March 31, 2024 and June 30, 2024 in Part II, Item 1A.*

*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, Mabcalin and others. 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.*

### Overview

We are a biotechnology company that historically discovered and developed Anticalin® protein-based drugs to target validated disease pathways in unique and transformative ways. Proprietary to us, Anticalin proteins are a novel class of therapeutics validated in the clinic and through partnerships with leading pharmaceutical companies, including Pfizer (formerly Seagen), and Boston Pharmaceuticals in immuno-oncology, or IO. Our clinical pipeline consists of IO bispecifics in partnership with collaborators including SGN-BB228 (also referred to as PRS-346) targeting CD228 and 4-1BB, and BOS-342 (also referred to as PRS-342) targeting GPC3 and 4-1BB.

On March 27, 2024, we announced the implementation of a new strategy along with relevant cost-saving measures that are expected to extend its cash runway into at least 2027, while maximizing its ability to capture the potential milestones from its partnered 4-1BB bispecific Mabcalin™ protein IO assets. We may be entitled to aggregate milestones of up to approximately \$15.0 million upon first patient dosed in the Phase 2 trials for SGN-BB228 and BOS-342, which are currently in Phase 1 clinical development, and up to approximately \$40.0 million upon first patient dosed in pivotal clinical trials for SGN-BB228 and BOS-342.

On July 23, 2024, we entered into the Merger Agreement with Merger Sub and Palvella pursuant to which, among other matters, and subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Palvella, with Palvella continuing as our wholly owned subsidiary and the surviving corporation of the merger, or Merger. If the Merger is completed, the business of Palvella will continue as the business of the combined organization.

We expect to devote significant time and resources to the completion of the Merger. However, there can be no assurances that such activities will result in completion of the Merger. Further, the completion of the Merger may ultimately not deliver the anticipated benefits or enhance shareholder value. If the Merger is not completed, we will reconsider our strategic alternatives. We consider one of the following courses of actions to be the most likely alternatives if the Merger is not completed:

- *Continue to operate its business:* On March 27, 2024, we announced our decision to implement measures that are expected to extend our cash runway into at least 2027, while maximizing our ability to collect potential milestones from our clinical pipeline of partnered drug candidates. If the Merger is not completed, our Board may elect to continue with this strategy and continue to operate our business.
- *Pursue another strategic transaction similar to the Merger.* We may resume our process of evaluating other companies interested in pursuing a strategic transaction with us and, if a candidate is identified, focus our attention on negotiating and completing such a transaction with such candidate.
- *Dissolve and liquidate our assets.* If for any reason the Merger does not close, our Board may conclude that it is in the best interest of stockholders to dissolve the Company and liquidate our assets. In that event, we would be required to pay any contractual obligations, wind down any remaining operations, and set aside certain reserves for potential future claims. There would be no assurances as to the amount or timing of available cash remaining to distribute to stockholders after paying our obligations and setting aside funds for reserves.

### Merger Agreement

Subject to the terms and conditions of the Merger Agreement, at the Effective Time, (i) each then-outstanding share of Palvella capital stock will be converted into the right to receive a number of shares of our common stock equal to the Exchange Ratio as defined in the Merger Agreement; and (ii) each then-outstanding Palvella stock option to purchase Palvella common stock will be assumed by us, subject to adjustment as set forth in the Merger Agreement. In connection with the Merger, and contingent on the approval of our stockholders, we intend to amend our amended and restated articles of incorporation to increase the number of shares of authorized common stock, change our corporate name to “Palvella Therapeutics, Inc.” and adopt a new 2024 equity incentive plan. The provisions for calculating the Exchange Ratio are set forth in the Merger Agreement, and assume a valuation for Palvella equal to \$95 million, and a valuation for us equal to \$21 million, provided, that (a) our net cash as of the closing is greater than \$11 million, then our valuation will be adjusted upwards on a dollar-for-dollar basis by the difference of: (i) our net cash, minus (ii) \$11 million, and (b) if our net cash is less than \$11 million, then Pieris’ valuation will be adjusted downwards on a dollar-for-dollar basis by the difference of: (i) \$11 million, minus (ii) our net cash.

Subject to the terms and conditions of, and the calculation of the Exchange Ratio pursuant to, the Merger Agreement, it is currently anticipated that upon the closing of the Merger, our pre-Merger stockholders will own approximately 18% of the combined company and pre-Merger Palvella stockholders will own approximately 82% of the combined company on a pro forma basis, based on the number of shares of our common stock expected to be issued in connection with the Merger. The shares of the combined company purchased by the PIPE Investors in the PIPE Financing (as such terms are defined below) are not reflected in the foregoing percentages.

The provisions for calculating the Exchange Ratio are set forth in the Merger Agreement and assume a valuation for Palvella equal to \$95.0 million and a valuation for our company equal to \$21.0 million, subject to adjustment based on our net cash as of the date immediately preceding the anticipated closing date, as set forth in the Merger Agreement. The Exchange Ratio is also based on the relative capitalizations of us and Palvella, as further described in the Merger Agreement. For purposes of calculating the Exchange Ratio, for each of us and Palvella, the total number of shares of capital stock of such company issued and outstanding immediately prior to the Merger, expressed on a fully-diluted and as-converted to common stock basis, calculated using the treasury stock method, will be included in the calculation of the Exchange Ratio. Shares of our common stock underlying our stock options outstanding immediately prior to the Effective Time with an exercise price per share of less than the volume weighted average closing trading price of a share of our common stock on the Nasdaq Capital Market, or Nasdaq, for the five consecutive trading days ending five trading days immediately prior to the date upon which the Merger occurs will be deemed to be outstanding, calculated using the treasury stock method, and all shares of Palvella common stock underlying outstanding Palvella stock options, warrants and other derivative securities will be deemed to be outstanding, calculated using the treasury stock method, subject to certain exceptions set forth in the Merger Agreement.

In connection with the Merger, we will seek the approval or ratification, as applicable, by our stockholders of, among other things, (a) the issuance of the shares of our common stock issuable in connection with the Merger under the rules of The Nasdaq Stock Market LLC pursuant to the terms of the Merger Agreement, (b) amendments to our amended and restated articles of incorporation to (i) increase the number of shares of authorized common stock and (ii) change the name of our company to "Palvella Therapeutics, Inc." (the approvals described in clause (a) and (b), the "Required Pieris Voting Proposals") and (c) the adoption of a new 2024 equity incentive plan, in each case, as described in the Merger Agreement.

We and Palvella have each agreed to customary representations, warranties and covenants in the Merger Agreement, including, among others, covenants relating to (1) using reasonable best efforts to obtain the requisite approvals of their respective stockholders, (2) non-solicitation of alternative acquisition proposals, (3) the conduct of their respective businesses during the period between the date of signing the Merger Agreement and the closing of the Merger, (4) using our commercially reasonable efforts to maintain the existing listing of our common stock on Nasdaq and us causing the shares of our common stock to be issued in connection with the Merger to be approved for listing on Nasdaq prior to the closing of the Merger and (5) us filing with the SEC and causing to become effective a registration statement to register the shares of our common stock to be issued in connection with the Merger, or the Registration Statement.

Consummation of the Merger is subject to certain closing conditions, including, among other things, (1) approval by our stockholders of the Required Pieris Voting Proposals, (2) approval by the Palvella stockholders of the adoption of the Merger Agreement, (3) Nasdaq's approval of the listing of the shares of our common stock to be issued in connection with the Merger, (4) the effectiveness of the Registration Statement and (5) the consummation of the PIPE Financing (as defined below), all in accordance with the terms of the Purchase Agreement (as defined below). Each party's obligation to consummate the Merger is also subject to other specified customary conditions, including the representations and warranties of the other party being true and correct as of the date of the Merger Agreement and as of the closing date of the Merger, generally subject to an overall material adverse effect qualification, the performance in all material respects by the other party of its obligations under the Merger Agreement required to be performed on or prior to the date of the closing of the Merger and the absence of any material adverse effect affecting the other party that is continuing on the closing date.

The Merger Agreement contains certain termination rights of each of us and Palvella, including, subject to compliance with the applicable terms of the Merger Agreement, the right of each party to terminate the Merger Agreement to enter into a definitive agreement for a superior proposal. Upon termination of the Merger Agreement under specified circumstances, we may be required to pay Palvella a termination fee of \$1.0 million and Palvella may be required to pay us a termination fee of \$2.0 million.

At the Effective Time, the board of directors of the combined company is expected to consist of five members, four of whom will be designated by Palvella and one of whom will be designated by us. Palvella's designees are expected to be Wes Kaupinen, Todd Davis, George Jenkins and Tadd Wessel. Our designee is expected to be Christopher Kiritsy, a current member of our board of directors.

At or prior to the Effective Time, we will enter into a Contingent Value Rights Agreement, or the CVR Agreement, with a rights agent, pursuant to which our pre-Merger capital stockholders will receive one contingent value right, or a CVR, for each outstanding share of our common stock held by such stockholder, or share of common stock underlying preferred stock held by such stockholder, on such date. Each CVR will represent the contractual right to receive payments upon the receipt of payments by us or any of our affiliates under certain strategic partner agreements, including existing collaboration agreements pursuant to which we may be entitled to milestones and royalties in the future and other out-licensing agreements for certain of our legacy assets, and upon the receipt of certain research and development tax credits in favor of us or any of our affiliates, in each case as set forth in, and subject to and in accordance with the terms and conditions of, the CVR Agreement.

Each CVR will represent the contractual right to receive cash payments (net of certain expenses and taxes) upon the receipt of payments by us or any of our affiliates under certain strategic partner agreements, including existing collaboration agreements pursuant to which we may be entitled to milestones and royalties in the future and other out-licensing agreements for certain of our legacy assets, and upon the receipt of certain research and development tax credits in favor of us or any of our affiliates, in each case as set forth in, and subject to and in accordance with the terms and conditions of, the CVR Agreement. We retain the ability under the Merger Agreement to seek to enter into such agreements related to our legacy assets and intellectual property, including PRS-400 and PRS-220, though we currently do not have any such agreements in place and do not have any plans to divest any material assets. We continue to explore potential transactions for PRS-400 and PRS-220. Our management has determined that there is no value associated with the CVRs as the likelihood of any payments received in connection with our legacy assets is remote. Unless earlier terminated by the representative of the CVR holders and the combined company, the CVR Agreement will terminate on the date on which no strategic partner agreement is in effect and no payments are payable to us or any of our affiliates under any strategic partner agreement.

The contingent payments under the CVR Agreement, if they become payable, will become payable to the Rights Agent for subsequent distribution to the holders of the CVRs. In the event that no such proceeds are received, holders of the CVRs will not receive any payment pursuant to the CVR Agreement. There can be no assurance that holders of CVRs will receive any amounts with respect thereto. The right to the contingent payments contemplated by the CVR Agreement is a contractual right only and will not be transferable, except in the limited circumstances specified in the CVR Agreement. The CVRs will not be evidenced by a certificate or any other instrument and will not be registered with the SEC. The CVRs will not have any voting or dividend rights and will not represent any equity or ownership interest in us or any of our affiliates. No interest will accrue on any amounts payable in respect of the CVRs.

The proposed merger transaction is expected to close in the fourth quarter of 2024 and remains subject to stockholder approval.

Concurrently with the execution and delivery of the Merger Agreement, we entered into a common stock purchase agreement, or the Purchase Agreement, with certain investors, including BVF Partners, L.P., an existing stockholder of Pieris, or the PIPE Investors, pursuant to which, among other things, the PIPE Investors have agreed to subscribe for and purchase (either for cash or in exchange for the termination and cancellation of outstanding convertible notes issued by Palvella), and we agreed to issue and sell to the PIPE Investors, an aggregate of up to 3,154,241 of shares of our common stock at a price

per share equal to \$13.7299 multiplied by (x) 0.315478 *divided by* (y) the Exchange Ratio, or the Purchase Price, subject to adjustment as set forth in the Purchase Agreement, and/or in lieu of our common stock to certain purchasers who so choose, pre-funded warrants, or the Pre-Funded Warrants, to purchase up to 2,592,585 shares of our common stock at a purchase price per Pre-Funded Warrant equal to the Purchase Price minus \$0.001, or the PIPE Financing. The Purchase Agreement contains customary representations and warranties of ours, on the one hand, and the PIPE Investors, on the other hand, and customary conditions to closing, including the consummation of the Merger. The gross proceeds from the PIPE Financing are expected to be approximately \$78.9 million, before paying estimated expenses. The closing of the PIPE Financing is expected to occur in connection with and immediately following the consummation of the Merger.

### **Discovery and Development Programs**

We currently have several IO drug candidates partnered with major biopharmaceutical companies, which are at varying stages of development:

- Our IO partnered portfolio includes the following drug candidates that are multi-specific Anticalin-based fusion protein drug candidates designed to engage immunomodulatory targets, in partnership with Pfizer (formerly Seagen), and Boston Pharmaceuticals.
  - In the Pfizer collaboration, SGN-BB228, a CD228 x 4-1BB bispecific antibody-Anticalin compound, was previously handed over to Pfizer, which is responsible for further advancement and funding of the asset. In January 2023, the first patient was dosed in a Pfizer-sponsored Phase 1 study of SGN-BB228, upon which we achieved a \$5.0 million milestone. Pfizer presented preclinical data for this program at the Society for Immunotherapy of Cancer 37th Annual Meeting in November 2022 and at the American Association for Cancer Research (AACR) Annual Meeting in April 2023. Pfizer presented the study design of the Phase 1 study of SGN-BB228 at the American Society of Clinical Oncology (ASCO) Annual Meeting in June 2023. The program is one of three programs in the Pfizer alliance, and we believe the previous achievement of a key development milestone for SGN-BB228 validates our approach in IO bispecifics, complementing the encouraging clinical data seen with cinreba<sup>®</sup> fusp alfa. We transferred the second and third programs to Pfizer at the end of 2023, and retain a co-promotion option for one program in the Pfizer collaboration in the United States.
  - BOS-342 is a GPC3 x 4-1BB bispecific Mabcalin compound that we have exclusively licensed to Boston Pharmaceuticals. In August 2023, the first patient was dosed in a Boston Pharmaceuticals sponsored Phase 1/2 study of BOS-342 in hepatocellular carcinoma (HCC), for which we received a \$2.5 million milestone payment and are entitled to receive up to approximately \$350 million in potential development, regulatory and sales-based milestone payments, and tiered royalties on potential sales of BOS-342.

Our former drug candidates include:

- *Elarekibep*, a former respiratory program that was partnered with AstraZeneca for the treatment of asthma, was a drug candidate that antagonizes IL-4R $\alpha$ , thereby inhibiting the downstream action of IL-4 and IL-13, two cytokines known to be key mediators in the inflammatory cascade that drive the pathogenesis of asthma and other inflammatory diseases.
  - In June 2023, AstraZeneca communicated to us its decision to discontinue and cease dosing in the Phase 2 clinical studies of elarekibep. This decision was based on lung findings from a non-clinical 13-week GLP toxicology study with dry powder inhaler-formulated elarekibep, which did not support long-term use and progression to later-stage development. The 13-week non-human primate study included three active dose cohorts. AstraZeneca concluded that there were no clinical observations across any of the doses but that there were respiratory tract pathology findings. These findings included inflammation-mediated lung tissue damage, which did not appear to be dose related. AstraZeneca's decision was made independent of any data from the Phase 2a study.
  - In July 2023, AstraZeneca notified us of its intention to terminate the AstraZeneca Collaboration Agreement and the AstraZeneca Platform License, which terminations became effective October 15, 2023. AstraZeneca's decision to terminate these agreements was based on the non-clinical safety findings in a 13-week toxicology study of elarekibep in non-human primates previously disclosed by us. Based upon our review, we have determined to discontinue the program for scientific reasons.
- *PRS-220*, an orally inhaled Anticalin protein targeting connective tissue growth factor, or CTGF, was being developed as a local treatment for idiopathic pulmonary fibrosis, or IPF, and other forms of fibrotic lung diseases. CTGF, a matricellular protein, has been demonstrated to be a driver of fibrotic tissue remodeling and the protein has been found over-expressed in lung tissue from patients suffering from IPF.
  - In 2021, we received a €14.2 million grant from the Bavarian Ministry of Economic Affairs, Regional Development and Energy supporting research and development of the PRS-220 program. We conducted a Phase 1 study of PRS-220 in healthy volunteers in Australia, which we completed in August 2023. The study was a randomized, two-part, blinded, placebo-controlled study, designed to assess the safety, tolerability, pharmacokinetics, and immunogenicity of single and multiple ascending doses of PRS-220 when administered by oral inhalation to healthy subjects. The clinical study report was finalized at the end of December 2023. Data from the single and multiple ascending doses of PRS-220, when administered by oral inhalation to healthy subjects, demonstrated that PRS-220 was safe and generally well tolerated by subjects in this study at all administered doses. With the completion of the Phase 1 clinical studies, we have decided to discontinue further development of the program for strategic and scientific reasons.
- *Cinrebafusp alfa* is designed to drive tumor localized T cell activation through tumor-targeted drug clustering mediated by HER2 expressed on tumor cells. This program was the first 4-1BB bispecific T cell co-stimulatory agonist to enter clinical development.
  - In July 2022, we received fast track designation from FDA for cinrebafusp alfa. In August 2022, we announced the decision to cease further enrollment in the two-arm, multicenter, open-label Phase 2 study of cinrebafusp alfa as part of a strategic pipeline prioritization to focus our resources. Cinrebafusp alfa has demonstrated clinical benefit in Phase 1 studies, including single agent activity in a monotherapy setting, and in the Phase 2 study in HER2-expressing gastric cancer, giving the Company confidence in its broader 4-1BB franchise. In April 2023, clinical data showing an unconfirmed 100% objective response rate and promising emerging durability profile were presented at the American Association of Cancer Research annual meeting. This data provided encouraging evidence of clinical activity for this program. We previously attempted to partner our cinrebafusp alfa program and because we were ultimately unable to find a partner for this program, we discontinued the program and partnering efforts.
- S095012 (also referenced as PRS-344) is a bispecific Mabcalin compound comprising a PD-L1-targeting antibody genetically linked to 4-1BB-targeting Anticalin proteins being developed by Servier on a worldwide basis. The first-in-human Phase 1/2 multicenter open-label dose escalation study was designed to determine the safety and preliminary activity of S095012 in patients with advanced and/or metastatic solid tumors. In July 2023, we notified Servier that we were opting out of co-development and commercialization of S095012 in the United States. On June 28, 2024, Servier notified us of its decision to terminate the Servier Agreements, effective December 27, 2024, and discontinue and cease dosing in the Phase 1 clinical study of S095012. This decision was based on a potential safety concern in the S095012 Phase 1 clinical studies. We do not intend to pursue any further development of S095012.
- In May 2021, we also entered into a multi-program research collaboration and license agreement with Genentech, a member of the Roche Group, to discover, develop and commercialize locally delivered respiratory and ophthalmology therapies. In April and May 2023, the ophthalmology and respiratory programs were jointly discontinued, respectively. Genentech also had options to select two additional programs with the payment of a fee, which expired in May 2024. With the expiration of these options and no programs active or ongoing, the Genentech Agreement also expired.

Since inception, we have devoted nearly all of our efforts and resources to our research and development activities and have incurred significant net losses. For the three and nine months ended September 30, 2024, we reported net loss of \$2.9 million and \$11.4 million, respectively. For the three and nine months ended September 30, 2023, we reported net loss of \$10.8 million and \$20.0 million, respectively. As of September 30, 2024, we had an accumulated deficit of \$326.3 million. We expect to continue incurring substantial losses as we devote time and resources into exploring strategic transactions. Our operating expenses have historically been 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 the foreseeable future. Our revenues for the nine months ended September 30, 2023 were from license and collaboration agreements with our partners.

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. At each period end, we remeasure assets and liabilities to the functional currency of that entity (for example, U.S. dollar payables recorded by our subsidiary, Pieris Pharmaceuticals GmbH). Remeasurement gains and losses are recorded in the statement of operations line item “Other income (expense), net”. 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 weighted average rate during the period. Equity transactions are translated using historical exchange rates. All adjustments resulting from translating foreign currency financial statements into U.S. dollars are included in accumulated other comprehensive loss.

### Key Financial Terms and Metrics

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 from the license and collaboration agreements with AstraZeneca, Servier, Pfizer, Genentech and Boston Pharmaceuticals.

The revenues from AstraZeneca, Servier, Pfizer, Genentech and Boston Pharmaceuticals have been comprised primarily of upfront payments, research and development services and milestone payments. For additional information about our revenue recognition policy, see “Note 2— Summary of Significant Accounting Policies.”

#### Research and Development Expenses

The process of researching and developing drugs for human use is lengthy, unpredictable and subject to many risks. Historically, we have incurred substantial expenses as we continued to develop our clinical and preclinical drug candidates and programs. Also included in research and development costs in 2023 were severance costs associated with the workforce reduction announced in July 2023. In the third quarter of 2023, we had stopped or taken actions to wind down research and development costs related to all proprietary programs.

On March 27, 2024, we announced that we would be discontinuing all of our research and development activities. We have no further spending obligations related to our partnered IO programs. We expect research and development costs to be significantly lower than historical amounts.

#### General and Administrative Expenses

General and administrative expenses consist primarily of salaries, 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 along with facility and maintenance costs attributable to general and administrative functions. Included in general and administrative costs are costs associated with evaluating strategic alternatives and severance costs associated with the workforce reductions announced in July 2023 and March 2024. We expect general and administrative costs to be significantly lower than historical amounts given the leaner organization and elimination of research and development spending going forward.

#### Results of Operations

##### Comparison of the three and nine months ended September 30, 2024 and 2023

The following table sets forth our revenues and operating expenses (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues	\$ —	\$ 19,520	\$ 53	\$ 41,511
Research and development expenses	(446)	9,595	1,523	37,347
General and administrative expenses	3,581	6,839	11,145	14,526
Asset impairment	—	14,893	—	14,893
Total operating expenses	3,135	31,327	12,668	66,766
Other income				
Interest income	169	549	610	1,396
Grant income	—	—	—	3,612
Other income	79	506	636	288
Net loss	\$ (2,887)	\$ (10,752)	\$ (11,369)	\$ (19,959)

### Revenues

The following table provides a comparison of revenue for the three months ended September 30, 2024 and 2023 (in thousands):

	<b>Three Months Ended September 30,</b>		<b>Increase/(Decrease)</b>
	<b>2024</b>	<b>2023</b>	
Customer revenue	\$ —	\$ 15,569	\$ (15,569)
Collaboration revenue	—	3,951	(3,951)
<b>Total Revenue</b>	<b>\$ —</b>	<b>\$ 19,520</b>	<b>(19,520)</b>

- The \$15.6 million decrease in customer revenue in the three months ended September 30, 2024 compared to the three months ended September 30, 2023 is entirely due to no revenue being recognized in the current period as all obligations related to customer revenue have previously been satisfied.
- The \$4.0 million decrease in collaboration revenues in the three months ended September 30, 2024 compared to the three months ended September 30, 2023 is due to no revenue pass through cost or collaboration reimbursement being recognized in the current period as all obligations related to the collaboration agreement have previously been satisfied.

The following table provides a comparison of revenue for the nine months ended September 30, 2024 and 2023 (in thousands):

	<b>Nine Months Ended September 30,</b>		<b>Increase/(Decrease)</b>
	<b>2024</b>	<b>2023</b>	
Customer revenue	\$ 6	\$ 37,665	\$ (37,659)
Collaboration revenue	47	3,846	(3,799)
<b>Total Revenue</b>	<b>\$ 53</b>	<b>\$ 41,511</b>	<b>(41,458)</b>

- The \$37.7 million decrease in customer revenue in the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 reflects only the final, minimal amounts of reimbursement revenue being recognized in the current period as all obligations related to customer revenue have previously been satisfied.
- The \$3.8 million decrease in collaboration revenues in the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 reflects final minimal amounts of reimbursement revenue recorded in the current period, as compared to the reimbursement revenue related to the now-terminated S095012 product under the Servier collaboration agreement recorded in the prior period.

### Research and Development Expenses

The following table provides a comparison of the research and development expenses for the three months ended September 30, 2024 and 2023 (in thousands):

	<b>Three Months Ended September 30,</b>		<b>Increase/(Decrease)</b>
	<b>2024</b>	<b>2023</b>	
Respiratory	\$ (36)	\$ 442	\$ (478)
Immuno-oncology	(501)	1,125	(1,626)
Other R&D activities	91	8,028	(7,937)
<b>Total</b>	<b>\$ (446)</b>	<b>\$ 9,595</b>	<b>(10,041)</b>

- The \$0.5 million decrease in our respiratory programs for the three months ended September 30, 2024 compared to the three months ended September 30, 2023 is due primarily to the completion of winddown activities related to PRS-220 and PRS-400, in connection with the Company's strategic update that was announced and initiated in July 2023. The credit balance for respiratory program expense in the current period is primarily due to a favorable final settlement on the amount owed to a single vendor compared to original estimates.
- The \$1.6 million decrease in our immuno-oncology programs for the three months ended September 30, 2024 compared to the three months ended September 30, 2023 is due primarily to decreases in manufacturing and clinical costs for both cinrebafusp alfa and S095012, as such programs have been discontinued or were handed over to partners. The credit balance for IO expense in the current period is primarily due to a favorable final settlement on the amount owed to a single vendor compared to the original estimates.
- The \$7.9 million decrease in other research and development activities expenses for the three months ended September 30, 2024 compared to the three months ended September 30, 2023 is driven by lower overall personnel costs due to lower headcount as a result of restructuring actions announced in July 2023 and March 2024, no depreciation in 2024 as a result of the Company's asset sale, and lower overall lab supply costs due to the lab facility wind down.

The following table provides a comparison of the research and development expenses for the nine months ended September 30, 2024 and 2023 (in thousands):

	<b>Nine Months Ended September 30,</b>		<b>Increase/(Decrease)</b>
	<b>2024</b>	<b>2023</b>	
Respiratory	\$ (118)	\$ 11,330	\$ (11,448)
Immuno-oncology	29	5,710	(5,681)
Other R&D activities	1,612	20,307	(18,695)
Total	<u>\$ 1,523</u>	<u>\$ 37,347</u>	(35,824)

- The \$11.4 million decrease in our respiratory programs for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 is due primarily to the completion of winddown activities related to PRS-220 and PRS-400 in connection with our strategic update that was announced and initiated in July 2023. The credit balance for respiratory program expense in the current period is primarily due to a favorable final settlement on the amount owed to a single vendor compared to the original estimates.
- The \$5.7 million decrease in our immuno-oncology programs for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 is due primarily to decreases in manufacturing and clinical costs for both cinrebafusp alfa and S095012, as such programs have been discontinued or handed over to partners. Offsetting IO expense in the first half of 2024, we benefitted from a favorable final settlement in the third quarter of 2024 on the amount owed to a single vendor compared to the original estimates.
- The \$18.7 million decrease in other research and development activities expenses for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 is driven by lower overall personnel costs due to lower headcount as a result of restructuring actions announced in July 2023 and March 2024, no depreciation in 2024 as a result of our asset sale, and lower overall lab supply costs due to the lab facility wind down.

#### *General and Administrative Expenses*

General and administrative expenses were \$3.6 million for the three months ended September 30, 2024 and \$6.8 million for the three months ended September 30, 2023. The period-over-period decrease was driven by lower overall personnel costs due to lower headcount as a result of restructuring actions announced in July 2023 and March 2024, no depreciation in 2024 as a result of the Company's asset sale process, lower professional services spending given the winddown of programs and activities, and lower rent and facility costs. These benefits were partially offset by higher legal spending related to ongoing strategic alternative evaluation and the impact of lower allocated facility and information technology, or IT, costs to research and development departments given the winddown of research and development programs and activities.

General and administrative expenses were \$11.1 million for the nine months ended September 30, 2024 and \$14.5 million for the nine months ended September 30, 2023. The period-over-period decrease was driven by lower overall personnel costs due to lower headcount as a result of restructuring actions announced in July 2023 and March 2024 and no depreciation in 2024 as a result of the Company's asset sale process and lower professional services spending given the winddown of programs and activities. These benefits were partially offset by higher legal spending related to ongoing strategic alternative evaluation and the impact of lower allocated facility and IT costs to research and development departments given the winddown of research and development programs and activities.

#### *Other Income (Expense)*

Our other income was \$0.2 million for the three months ended September 30, 2024 and \$1.1 million for the three months ended September 30, 2023. Period-over-period there was a decrease in interest income in the three months ended September 30, 2024 and unrealized losses in the current period due to an overall strengthening U.S. dollar. This was partially offset by a net gain on the sales of all property and equipment compared to the estimated fair value of the assets held for sale.

Our other income was \$1.2 million for the nine months ended September 30, 2024 and \$5.3 million for the nine months ended September 30, 2023. The period-over-period decrease was primarily due to lower grant income and lower interest income, offset slightly by unrealized gains in the current period due to an overall strengthening U.S. dollar and a net gain on the sales of all property and equipment compared to the estimated fair value of the assets held for sale.



## Liquidity and Capital Resources

On March 27, 2024, the Company announced the implementation of a new strategy along with relevant cost-saving measures that are expected to extend its cash runway into at least 2027, while maximizing its ability to capture the potential milestones from its partnered 4-1BB bispecific Mabcalin protein IO assets. The Company may be entitled to aggregate milestones of up to approximately \$15.0 million upon first patient dosed in the Phase 2 trials for SGN-BB228 and BOS-342, which are currently in Phase 1 clinical development, and up to approximately \$40.0 million upon first patient dosed in pivotal clinical trials for SGN-BB228 and BOS-342.

Through September 30, 2024, we have funded our operations primarily through private and public sales of equity, payments received under our license and collaboration agreements (including research and development services costs, and upfront and milestone payments), government grants and loans.

As of September 30, 2024, we had a total of \$19.4 million in cash, cash equivalents and investments. We have incurred losses in every period since inception, with the exception of the three months ended June 30, 2023, and have a total accumulated deficit of \$326.3 million as of September 30, 2024. Net losses and negative cash flows have had, and will continue to have, an adverse effect on our stockholders' equity and working capital. We expect to continue to incur operating losses for at least the next several years.

We have historically devoted substantially all of our financial resources and efforts to research and development and general and administrative expenses to support such research and development.

We expect cash necessary to fund operations will continue to decrease significantly in the near term as we have taken measures to preserve cash, including implementing significant workforce reductions and terminating all research and development activities.

The following table provides a summary of operating, investing and financing cash flows (in thousands):

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
Net cash used in operating activities	\$ (8,330)	\$ (34,150)
Net cash provided by investing activities	11,318	8,553
Net cash provided by financing activities	—	19,781

Net cash used in operating activities for the nine months ended September 30, 2024 was \$8.3 million compared to net cash used in operating activities of \$34.2 million for the nine months ended September 30, 2023. The decrease in cash used in operations in the current period is predominantly attributable to the \$38.9 million impact of a reduction in deferred revenue and an offsetting \$4.8 million decrease in accounts receivable in the nine months ended September 30, 2023 as compared to the current period in which, given the winddown of operating programs and suspension of research and development activities, there was no cash used in operations related to deferred revenue and only a \$0.2 million decrease in accounts receivable.

Net cash provided by investing activities for the nine months ended September 30, 2024 was \$11.3 million, as compared to net cash provided by investing activities of \$8.6 million for the same period in 2023. The change in net cash used is predominantly attributable to the impact of net investments changes and the timing of maturities in the current period as well as proceeds on the sale of all assets, as compared to the prior period.

There was no net cash provided by financing activities for the nine months ended September 30, 2024, as compared to net cash provided by financing activities of \$19.8 million for the same period in 2023. The change in net cash used is predominantly attributable to the \$19.7 million impact of the issuance of stock resulting from the ATM Program (as defined in Note 9) sales activity performed during the nine months ended September 30, 2023.

Effective at 5:00 p.m. Eastern Time on April 22, 2024, we effected a 1-for-80 reverse stock split of our common stock. All references to shares of common stock outstanding, average number of shares outstanding and per share amounts in this Quarterly Report on Form 10-Q have been restated to reflect the reverse stock split on a retroactive basis.

In August 2021, we established the ATM Program under a sales agreement with Jefferies LLC, pursuant to which we may offer and sell shares of our common stock, from time to time, up to an aggregate amount of gross sales proceeds of \$50.0 million. In November 2022, the sales agreement was amended to provide for an increase in the aggregate offering amount, such that under the ATM Program, as amended, we may offer and sell shares of our common stock, from time to time, up to an aggregate amount of gross sales proceeds of \$75.0 million. The ATM Program, as amended, is offered under a shelf registration statement on Form S-3 that was filed with and declared effective by the SEC in August 2021. For the nine months ended September 30, 2024, we did not sell any shares under the ATM Program.

On July 23, 2024, we entered into the Purchase Agreement with the PIPE Investors, including BVF Partners, L.P., an existing stockholder of Pieris, pursuant to which, among other things, the PIPE Investors have agreed to subscribe for and purchase (either for cash or in exchange for the termination and cancellation of outstanding convertible notes issued by Palvella), and we agreed to issue and sell to the PIPE Investors, an aggregate of approximately 3,154,241 of shares of our common stock at a price per share equal to the Purchase Price, subject to adjustment as set forth in the Purchase Agreement, and/or in lieu of our common stock to certain purchasers who so choose, the Pre-Funded Warrants to purchase up to 2,592,585 shares of our common stock at a purchase price per Pre-Funded Warrant equal to the Purchase Price minus \$0.001, subject to adjustment as set forth in the Purchase Agreement. The Purchase Agreement contains customary representations and warranties of us, on the one hand, and the PIPE Investors, on the other hand, and customary conditions to closing, including the consummation of the Merger. The gross proceeds from the PIPE Financing are expected to be approximately \$78.9 million, before paying estimated expenses. The closing of the PIPE Financing is expected to occur in connection with and immediately following the consummation of the Merger.

The Pre-Funded Warrants do not expire, and each Pre-Funded Warrant will be exercisable at any time after the date of issuance of such Pre-Funded Warrant, subject to a beneficial ownership limitation. A holder of a Pre-Funded Warrant may not exercise such Pre-Funded Warrant if the holder, together with its affiliates, would beneficially own more than 4.99% or 9.99% of the number of shares of our common stock outstanding immediately after giving effect to such exercise, provided, however, that a holder may increase or decrease the beneficial ownership limitation by giving 61 days' notice to us, but not to any percentage in excess of 19.99%.

At or prior to the closing of the PIPE Financing, we will enter into the Registration Rights Agreement with the PIPE Investors pursuant to which the PIPE Investors will be entitled to certain resale registration rights with respect to shares of our common stock issued to the PIPE Investors and any shares of our

common stock issued upon exercise of the Pre-Funded Warrants. Pursuant to the Registration Rights Agreement, we will be required to prepare and file a resale registration statement with the SEC within 30 days following the closing of the PIPE Financing. We shall use our commercially reasonable efforts to cause this registration statement to be declared effective by the SEC within 90 days following the closing of the PIPE Financing (or within 120 days following the PIPE Financing if the SEC reviews the registration statement).

We are currently subject to the SEC general instructions of Form S-3 known as the “baby shelf rules.” Under these instructions, the amount of funds we can raise through primary public offerings of securities in any 12-month period using our registration statement on Form S-3 is limited to one-third of the aggregate market value of the shares of our common stock held by non-affiliates. Therefore, we will be limited in the amount of proceeds we are able to raise by selling shares of our common stock using our Form S-3, including under the ATM Program, until such time as our public float exceeds \$75 million.

We have historically devoted substantially all of our financial resources and efforts to research and development and general and administrative expenses to support such research and development. We expect cash necessary to fund operations will continue to decrease significantly as we have decided to discontinue all research and development activities and implement a further workforce reduction, as disclosed in our March 27, 2024 strategic update.

We believe that our currently available funds will be sufficient to fund our remaining limited operations through at least the next 12 months from the issuance of this Quarterly Report on Form 10-Q.

Our belief with respect to our ability to fund operations is based on estimates that are subject to these and other risks and uncertainties.

If we seek to raise additional capital to fulfill our operating and capital requirements through public or private equity financings, utilization of our current ATM Program, strategic collaborations, licensing arrangements, government grants and/or the achievement of milestones under our collaborative agreements, there is *no* assurance that we will be successful in obtaining sufficient funding on terms acceptable to us to fund continuing operations, if at all, and the terms of any future financing may adversely affect the holdings or the rights of our stockholders.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements, as defined under applicable SEC rules.

### **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 December 31, 2023 for a discussion of our critical accounting policies and estimates.

This discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with U.S. GAAP. We believe that several accounting policies are important to understanding our historical and future performance. We refer to these policies as critical because these specific areas generally require us to make judgments and estimates about matters that are uncertain at the time we make the estimate, and different estimates—which also would have been reasonable—could have been used. On an ongoing basis, we evaluate our estimates and judgments, including those described in greater detail below. We base our estimates on historical experience and other market-specific or other relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that our most critical accounting policies are those relating to revenue recognition, contingencies, research and development expense and income taxes, and there have not been significant changes to our accounting policies discussed in the Annual Report on Form 10-K for the fiscal year ended on December 31, 2023.

### **Recently Issued Accounting Pronouncements**

We review new accounting standards to determine the expected financial impact, if any, that the adoption of each standard will have. For the recently issued accounting standards that we believe may have an impact on our consolidated financial statements, see “Note 2—Summary of Significant Accounting Policies” in our condensed consolidated financial statements.

### **Smaller Reporting Company Status**

Currently, we qualify as a smaller reporting company.

As a smaller reporting company, we are eligible for and have taken advantage of certain exemptions from various reporting requirements that are not available to public reporting companies that do not qualify for this classification, including, but not limited to:

- An opportunity for reduced disclosure obligations regarding executive compensation in our periodic and annual reports, including exemption from the requirements to provide a compensation discussion and analysis describing compensation practices and procedures,
- An opportunity for reduced financial statement disclosure in registration statements and in annual reports on Form 10-K, which only requires two years of audited financial statements rather than the three years of audited financial statements that are required for other public companies,
- An opportunity for reduced audit and other compliance expenses as we are not subject to the requirement to obtain an auditor’s report on internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act of 2002, and
- An opportunity to utilize the non-accelerated filer time-line requirements.

For as long as we continue to be a smaller reporting company, we expect that we will take advantage of both the reduced internal control audit requirements and the disclosure obligations available to us as a result of this classification.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

**Item 4. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and principal financial officer, have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and such information is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our principal executive officer and principal financial officer have concluded that, based on such evaluation, our disclosure controls and procedures were effective as of September 30, 2024.

**Changes in Internal Control over Financial Reporting**

There have been 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, 2024 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.

As of the date of this Quarterly Report on Form 10-Q, we are not party to and our property is not subject to any material pending legal proceedings. However, from time to time, we may become involved in legal proceedings or subject to claims seeking monetary damages or other relief. Regardless of the outcome, such legal proceedings or claims could have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

### Item 1A. Risk Factors.

Please refer to the complete Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on March 29, 2024, and Item 1A of the Company's Quarterly Report on Form 10-Q for the quarters ended March 31, 2024 and June 30, 2024, filed with the SEC on May 15, 2024 and August 14, 2024, respectively, for risks and uncertainties facing the Company that may have a material adverse effect on the Company's business prospects, financial condition and results of operations. There have been no material changes in the risk factors described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2024 and June 30, 2024.



**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.**

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference herein from Form or Schedule</u>	<u>Filing Date</u>	<u>SEC File / Registration Number</u>
<a href="#">10.1</a>	Separation Agreement by and between the Pieris Pharmaceuticals GmbH and Shane Olwill, Ph.D., dated as of July 23, 2024	*#		
<a href="#">31.1</a>	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*		
<a href="#">31.2</a>	Certification of Principal Financial Officer and Principal Accounting Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*		

[Table of Contents](#)

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference herein from Form or Schedule</u>	<u>Filing Date</u>	<u>SEC File / Registration Number</u>
<a href="#">32.1</a>	Certification of Principal Executive Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	**		
<a href="#">32.2</a>	Certification of Principal Financial Officer and Principal Accounting Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	**		
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)			
101.SCH	Inline XBRL Taxonomy Extension Schema Document	*		
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	*		
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	*		
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	*		
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	*		
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)	*		
*	Filed herewith.			
**	The certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Quarterly Report and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.			
#	Indicates a management contract or compensatory plan.			



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

**PIERIS PHARMACEUTICALS, INC.**

November 13, 2024

By: /s/ Stephen S. Yoder  
Stephen S. Yoder  
Chief Executive Officer and President  
*(Principal Executive Officer)*

November 13, 2024

By: /s/ Thomas Bures  
Thomas Bures  
Chief Financial Officer  
*(Principal Financial Officer and Principal Accounting Officer)*

Certain identified information has been excluded from this exhibit in accordance with Regulation S-K Item 601(a)(6) because it would constitute a clearly unwarranted invasion of personal privacy. [\*\*\*] indicates that information has been redacted.

<p style="text-align: center;"><b>Aufhebungsvertrag</b></p> <p style="text-align: center;">zwischen</p> <p><b>Pieris Pharmaceuticals GmbH</b>, Zeppelinstraße 3, 85399 Hallbergmoos</p> <p style="text-align: center;">- nachfolgend die „<b>Gesellschaft</b>“ -</p> <p style="text-align: center;">und</p> <p><b>Dr. Shane Olwill</b> [***]</p> <p style="text-align: center;">- nachfolgend geschlechtsneutral der „<b>Mitarbeiter</b>“ -</p> <p style="text-align: center;">- Gesellschaft und Mitarbeiter nachfolgend ge- meinsam die „<b>Parteien</b>“, jeweils einzeln auch die „<b>Partei</b>“ -</p>	<p style="text-align: center;"><b>Termination Agreement</b></p> <p style="text-align: center;">between</p> <p><b>Pieris Pharmaceuticals GmbH</b>, Zeppelin- straße 3, 85399 Hallbergmoos</p> <p style="text-align: center;">- hereinafter the “<b>Employer</b>” -</p> <p style="text-align: center;">and</p> <p><b>Dr. Shane Olwill</b> [***]</p> <p style="text-align: center;">- hereinafter gender neutral the “<b>Em- ployee</b>“ -</p> <p style="text-align: center;">- Employer and Employee collectively hereinafter the “<b>Parties</b>“, each of them also as the “<b>Party</b>” -</p>
<p><b><u>Präambel</u></b></p> <p>Der Mitarbeiter ist seit dem 14.06.2011 auf der Basis des am 09.05.2011 geschlossenen Ar- beitsvertrages (nachfolgend einschließlich sämt- licher Neben-, Zusatz- und Änderungs- vereinbarungen zusammen der „<b>Arbeitsver- trag</b>“), aktuell als Chief Development Officer für die Gesellschaft tätig.</p> <p>Zur Vermeidung einer ansonsten auf Veranlas- sung der Gesellschaft auszusprechenden Kündi- gung aus betrieblichen Gründen beabsichtigen die Parteien, das zwischen ihnen bestehende Ar- beitsverhältnis einvernehmlich zu beenden.</p> <p>Dies vorausgeschickt, vereinbaren die Parteien was folgt:</p>	<p><b><u>Preamble</u></b></p> <p>The Employee has been working for the Em- ployer as Chief Development Officer since June 14, 2011 based on the employ- ment con- tract concluded on May 09, 2011 (including all possible additional agreements and amend- ment agreements collectively hereinafter the “<b>Employment Contract</b>”).</p> <p>In order to avoid a termination for operational reasons which would otherwise have to be is- sued at the Company's instigation, the Parties intend to terminate the employment relation- ship existing between them by mutual agree- ment.</p> <p>Therefore, the Parties agree as follows:</p>

<p style="text-align: center;"><b>§ 1</b> <b>Beendigung des Arbeitsverhältnisses</b></p>	<p style="text-align: center;"><b>Sec. 1</b> <b>Termination of Employment</b></p>
<p>Die Parteien sind sich darüber einig, dass das zwischen ihnen bestehende Arbeitsverhältnis mit Wirkung zum Ablauf des 31.10.2024 (nachfolgend der „<b>Beendigungstermin</b>“) sein Ende findet.</p>	<p>Parties agree that the employment shall amicably end effective October 31, 2024 (hereinafter the “<b>Termination Date</b>”).</p>
<p style="text-align: center;"><b>§ 2</b> <b>Abwicklung / Vergütung</b></p>	<p style="text-align: center;"><b>Sec. 2</b> <b>Settlement / Remuneration</b></p>
<p>1. Bis zum Beendigungstermin wird das Arbeitsverhältnis unter Berücksichtigung des vereinbarten Bruttomonatsfestgehaltes in Höhe von <b>EUR 25.337,61</b> ordnungsgemäß abgerechnet und vergütet.</p>	<p>1. Until Termination Date, the employment will be duly settled in consideration of a monthly gross fixed salary in the amount of <b>EUR 25,337.61</b>.</p>
<p>2. Nimmt der Mitarbeiter am Programm zur betrieblichen Krankenversicherung teil, wird die Gesellschaft bis zum Beendigungstermin die Beiträge zur betrieblichen Krankenversicherung entsprechend der bisherigen Handhabung entrichten und versteuern.</p>	<p>2. Provided that the Employee participates in the company health insurance program, the Employer will pay and tax the contributions to the company health insurance scheme until the Termination Date in accordance with previous practice.</p>
<p>3. Besteht mit dem Mitarbeiter eine Vereinbarung über eine betriebliche Altersversorgung, wird die Gesellschaft die erforderlichen Erklärungen abgeben, um eine Übertragung der bestehenden Direktversicherung nach Möglichkeit zu ermöglichen.</p>	<p>3. If there is an agreement with the Employee on a company pension plan, the Employer undertakes to make the necessary declarations to enable a transfer of the existing direct insurance.</p>
<p>4. Etwaige Ansprüche des Mitarbeiters aus dem Optionsprogramm der Pieris Pharmaceuticals Inc. bleiben von den Regelungen dieses Aufhebungsvertrages unberührt. Sämtliche diesbezüglichen Rechte und Pflichten des Mitarbeiters bestimmen sich allein nach den im Stock Option Plan der Pieris Pharmaceuticals Inc. niedergelegten Regelungen und sind gegen die Pieris Pharmaceuticals Inc. zu richten.</p>	<p>4. Any claims of the Employee from the option programme of Pieris Pharmaceuticals Inc. shall remain unaffected by the provisions of this Termination Agreement. All rights and obligations of the Employee in this respect shall be determined exclusively in accordance with the provisions of the stock option plan of Pieris Pharmaceuticals Inc. and shall be directed against Pieris Pharmaceuticals Inc.</p>
<p>5. Weitere Vergütungsbestandteile des Mitarbeiters sind – mit Ausnahme der nach Abs. 1 bis</p>	<p>5. In addition to the components of the remuneration set forth in this Sec. 2 para. 1 - 4 and</p>

<p>4 geschuldeten Vergütungsansprüche sowie der sonstigen in diesem Aufhebungsvertrag geregelten Ansprüche – ausdrücklich nicht geschuldet. Mit den vorstehenden Zahlungen sind alle Vergütungsansprüche für die Vergangenheit und die Zukunft bis zum Beendigungstermin abgegolten. Sonstige Vergütungsansprüche, insbesondere, aber nicht ausschließlich, ein etwaiger Retention Bonus entsprechend der Regelung des „New Compensation Package“ vom 28.08.2023 sowie weitere etwaige Boni, Provisionen, Gratifikationen, Jahressonderzahlungen, Überstundenvergütungen und Zuschläge sind weder für die Vergangenheit noch für die Zukunft geschuldet.</p>	<p>the other claims set out in this Termination Agreement, no further compensation is owed. Other remuneration, including but not limited to a potential retention bonus in accordance with the provisions of the "New Compensation Package" dated August 28, 2023, any other bonuses, commissions, gratuities, yearly special payments, payments for overtime and premiums, if any, are not owed to the Employee, neither for the past, nor for the future.</p>
<p>6. Die Parteien sind sich darüber einig, dass das Arbeitsverhältnis bis einschließlich des Monats Juni 2024 bereits vollständig und ordnungsgemäß abgerechnet worden ist und dass die Vergütungsansprüche des Mitarbeiters bis dahin vollständig zur Auszahlung gekommen sind.</p>	<p>6. Parties agree that the employment was completely and duly settled until and including the month of June 2024 and that all remuneration of the Employee has been duly and completely paid out until then.</p>
<p><b>§ 3</b> <b>Abfindung</b></p>	<p><b>Sec. 3</b> <b>Severance Payment</b></p>
<p>Die Gesellschaft zahlt an den Mitarbeiter für den Verlust seines Arbeitsplatzes und des sozialen Besitzstandes eine einmalige Sozialabfindung in entsprechender Anwendung der §§ 9, 10 KSchG in Höhe von brutto <b>EUR 417.800,00</b>. Die Abfindung wird unter Berücksichtigung der für eine Abfindung geltenden besonderen steuerlichen Regelungen (insbesondere der §§ 24, 34 EstG) zum Zeitpunkt der rechtlichen Beendigung des Arbeitsverhältnisses zur Zahlung an den Mitarbeiter fällig. Der Anspruch auf die Abfindung ist jedoch bereits mit Abschluss dieses Aufhebungsvertrages entstanden und vererblich.</p>	<p>The Employer shall pay the Employee a one-time social compensation for the loss of his job and his social status in accordance with Sec. 9, 10 of the Dismissal Protection Act (KSchG) in the gross amount of <b>EUR 417,800.00</b>. The severance payment shall become due for payment to the Employee at the time of the legal termination of the employment relationship, taking into account the special tax regulations applicable to severance payments (in particular Sec. 24, 34 EstG). However, the claim to the severance payment already arises with the conclusion of this Termination Agreement and is inheritable.</p>

<p style="text-align: center;"><b>§ 4</b> <b>Outplacement</b></p>	<p style="text-align: center;"><b>Sec. 4</b> <b>Outplacement</b></p>
<p>Die Gesellschaft bietet dem Mitarbeiter eine nach seinem freien Ermessen von der <b>Firmav. Rundstedt &amp; Partner GmbH</b> durchzuführende Outplacementberatung an. Die Kosten für die Programme „Bewerbungstraining“ und „Beratung zur beruflichen Neuorientierung“ bei der Outplacementberatung trägt die Gesellschaft, die auch den Vertrag mit dem Outplacementberater abschließt. Die Outplacementberatung muss spätestens zum 30. September 2024 begonnen und nachgewiesen werden; andernfalls entfällt der Anspruch ersatzlos. Die Kosten werden seitens der Gesellschaft direkt an die Firma v. Rundstedt &amp; Partner GmbH gezahlt, nicht aber an den Mitarbeiter.</p>	<p>The Employer shall offer the Employee outplacement counseling to be conducted by <b>Company v. Rundstedt &amp; Partner GmbH</b> at its discretion. The costs for the program “application training” and “individual consulting” at the outplacement counseling shall be borne by the Employer, who shall also conclude the contract with the outplacement counselor. The outplacement consulting must be initiated and proven at the latest at September 30, 2024, otherwise, such entitlement shall lapse. The costs are paid directly by the Employer to Company v. Rundstedt &amp; Partner GmbH, but not to the Employee.</p>
<p style="text-align: center;"><b>§ 5</b> <b>Verpflichtung zur Arbeitsleistung/ Urlaubsansprüche/ Freistellung</b></p>	<p style="text-align: center;"><b>Sec. 5</b> <b>Obligation to work/ Holiday entitlement/ Release from work</b></p>
<p>1. Bis zum Beginn der Freistellung bleibt der Mitarbeiter grundsätzlich zur Arbeitsleistung verpflichtet.</p>	<p>1. Until the beginning of the release from work, the Employee remains in principle obliged to perform work.</p>
<p>2. Der Mitarbeiter wird mit Wirkung ab dem 01.08.2024 bis zum Beendigungstermin unter Fortzahlung des Festgeltes gemäß § 2 Abs. 1 dieses Abwicklungsvertrages unwiderruflich von der Verpflichtung zur Arbeitsleistung freigestellt. Zu Beginn der Freistellung wird dem Mitarbeiter der ihm aus dem Arbeitsverhältnis noch zustehende Urlaub sowie etwaige Freizeitausgleichsansprüche gewährt. Damit sind Urlaubsansprüche aus dem Arbeitsverhältnis vollumfänglich in natura gewährt und erledigt. Für die Zeiten außerhalb der Urlaubs- und Freizeitausgleichsgewährung bleiben der Gesellschaft die Rechte aus § 615 Satz 2 BGB vorbehalten. Der Mitarbeiter ist daher verpflichtet, im Fall der Erzielung anderweitigen</p>	<p>2. The Employee shall be irrevocably released from the obligation to perform work from August 1, 2024 until Termination Date with continued payment of the fixed remuneration pursuant to Sec. 2 para. 1 of this Settlement Agreement. At the beginning of the leave of absence, the Employee shall be granted the remaining leave to which he is entitled from the employment relationship as well as any free time compensation claims. Thus, holiday entitlements from the employment relationship are fully granted and settled in kind. For the periods outside the granting of leave and compensatory time off, the Employer retains the rights under Sec. 615 sentence 2 BGB. The Employee is therefore obliged, in the</p>

<p>Erwerbs hierüber und über dessen Höhe der Gesellschaft unverzüglich Auskunft zu erteilen. Auf Verlangen sind die Angaben zu belegen.</p>	<p>event that he earns income from other sources, to provide the Employer with information on this and the amount thereof without delay. The information must be substantiated upon request.</p>
<p>3. Während der Zeit der Freistellung bleibt das Wettbewerbsverbot gemäß dem Arbeitsvertrag bestehen.</p>	<p>3. During the term of the release, the non-competition covenant pursuant of the Employment Contract shall continue to be in force.</p>
<p style="text-align: center;"><b>§ 6 Zeugnis</b></p>	<p style="text-align: center;"><b>Sec. 6 Reference Letter</b></p>
<p>Die Gesellschaft verpflichtet sich, dem Mitarbeiter ein wohlwollendes qualifiziertes Endzeugnis zu erteilen, das sich auf Leistung und Führung erstreckt. Hierfür wird der Mitarbeiter zusammen mit seinem Vorgesetzten im Vorfeld eine Liste seiner Tätigkeiten erstellen.</p>	<p>Upon termination of the employment, the Employee shall be furnished with a qualified, benevolent reference letter which refers to performance and conduct of the Employee. For this purpose, the Employee is to prepare a list of his activities in advance in cooperation with his supervisor.</p>
<p style="text-align: center;"><b>§ 7 Herausgabe</b></p>	<p style="text-align: center;"><b>Sec 7 Obligation to return Property</b></p>
<p>1. Der Mitarbeiter wird spätestens zum Beginn der Freistellung nach § 5 Abs. 2 dieses Aufhebungsvertrages nach vorheriger Absprache (Termin und Ort) über info@pieris.com, sämtliches noch bei ihm befindliches Firmeneigentum (z.B. Firmenkreditkarte, Zugangskarten, Parkkarten, Firmenausweis, Handbücher, Schlüssel, elektronische Daten, Dokumente, etc.) vollständig und im ordnungsgemäßen Zustand an die Gesellschaft herausgeben. Hierzu zählen insbesondere auch sämtliche Unterlagen (insbesondere Skizzen, Korrespondenz, Vermerke, Notizen), die der Gesellschaft gehören oder die der Mitarbeiter von Dritten für die Gesellschaft erhalten hat und/oder die im Zusammenhang mit der Tätigkeit des Mitarbeiters für die Gesellschaft entstanden sind. Der Mitarbeiter verpflichtet sich, keine Kopien oder Abschriften der Unterlagen oder diesbezügliche elektronische</p>	<p>1. The Employee shall return to the Employer by the beginning of the release from work according to Sec. 5 para. 2 of this Separation Agreement at the latest all items provided to him during the employment by the Employer (for example company credit cards, access cards, parking cards, company ID cards, manuals, keys, electronic data, documents, etc) and during customary business hours, however, after prior scheduling (date and place) via info@pieris.com. This includes all documents (especially drafts, correspondence, notes, memos) which belong to the Employer or which the Employee has received from third parties for the Employer and/or which have arisen in connection with the Employee's work for the Employer. The Employee undertakes not to keep any copies or transcripts of the documents or electronic data relating thereto. Upon request of the</p>

<p>Daten zu behalten. Die Vollständigkeit der Rückgabe wird der Mitarbeiter auf Verlangen der Gesellschaft schriftlich gegenüber der Gesellschaft versichern.</p>	<p>Employer, the Employee shall confirm in writing the completeness of the returned company property.</p>
<p>2. Abweichend von Abs. 1 wird der Mitarbeiter spätestens zum Beginn der Freistellung nach § 5 Abs. 2 dieses Aufhebungsvertrages das bei ihm etwaig befindliche Diensthandy sowie den Dienstlaptop (nachfolgend gemeinsam „Geräte“) bei dem IT-Dienstleister RUNLEVEL IT-Service, in Bretonischer Ring 13, 85630 Grasbrunn nach Vereinbarung eines Termins über schmelzer@runlevel.com abgeben. Dieser wird die Geräte zurücksetzen und die Geräte dann an den Mitarbeiter versenden. Die Parteien sind sich einig, dass die Gesellschaft nach Zurücksetzung der Geräte das Eigentum an diesen Geräten auf den Mitarbeiter überträgt. Etwaige im Zusammenhang mit der Eigentumsübertragung nach diesem Absatz anfallende Steuern werden von der Gesellschaft getragen.</p>	<p>2. Notwithstanding para. 1, the Employee shall hand in any company cell phone and company laptop (hereinafter jointly referred to as "devices") he may have at the beginning of the release from work according to Sec. 5 para. 2 of this Separation Agreement at the latest to the IT service provider RUNLEVEL IT-Service, at Bretonischer Ring 13, 85630 Grasbrunn, after making an appointment via schmelzer@runlevel.com. The IT service provider shall reset the devices and then send them to the Employee. The Parties agree that the Company will transfer ownership of the devices to the Employee once they have been reset. Any taxes incurred in connection with the transfer of ownership under this paragraph shall be borne by the Company.</p>
<p>3. Der Mitarbeiter wird der Gesellschaft spätestens zum Beginn der Freistellung nach § 5 Abs. 2 dieses Aufhebungsvertrages aller Passwörter, Schreibschutzcodes oder ähnlicher Zugangscodes, die er auf den von ihm selbst genutzten PCs der Gesellschaft verwendet hat, zur Verfügung stellen und von diesen anschließend keinen Gebrauch mehr machen.</p>	<p>2. No later than the beginning of the release from work according to Sec. 5 para. 2 of this Separation Agreement at the latest, the Employee will provide the Employer with a list of all passwords, write-protection codes or similar access codes that he has used on the Employer's PCs used by himself and will not make use of them thereafter.</p>
<p>4. Der Mitarbeiter ist verpflichtet, alle auf privat genutzten Computern gespeicherten Daten und Programme, die ihm im Hinblick auf seine Tätigkeit nach dem Arbeitsvertrag überlassen bzw. wegen dieser Tätigkeit gespeichert wurden, der Gesellschaft spätestens zum Beginn der Freistellung nach § 5 Abs. 2 dieses Aufhebungsvertrages auf Datenträger kopiert zur Verfügung zu stellen und anschließend auf</p>	<p>3. The Employee is obliged to provide the Employer with copies of all data and programs stored on privately used computers, which have been made available to him with regard to his activities under the Employment Contract or which have been stored because of these activities, on data carriers no later than the beginning of the release from work according to Sec. 5 para. 2 of this Separation</p>

<p>den betreffenden Computern unwiederbringlich zu löschen.</p>	<p>Agreement at the latest and then to irretrievably delete them from the respective computers.</p>
<p>5. Der Mitarbeiter hat kein Zurückbehaltungsrecht im Hinblick auf die Verpflichtungen nach diesem § 7.</p>	<p>4. The Employee is not entitled to any right of retention with regard to the obligations pursuant to this Sec. 7.</p>
<p style="text-align: center;"><b>§ 8 Geheimhaltung</b></p>	<p style="text-align: center;"><b>Sec. 8 Confidentiality</b></p>
<p>1. Der Mitarbeiter verpflichtet sich, alle ihm während seiner Tätigkeit für die Gesellschaft bekannt gewordenen Geschäfts- und Betriebsgeheimnisse sowie alle sonstigen vertraulichen Angelegenheiten und Informationen der Gesellschaft auch über die Beendigung des Arbeitsverhältnisses hinaus streng geheim zu halten.</p>	<p>1. The Employee undertakes to maintain strict secrecy with regard to all business and trade secrets of which he/ becomes aware during his work for the Employer, as well as all other confidential matters and information of the Employer, even after termination of the employment relationship.</p>
<p>2. Zu den geheim zu haltenden Geschäftsgeheimnissen zählen insbesondere, aber nicht ausschließlich, die folgenden:</p> <ul style="list-style-type: none"> <li>• Geschäftsstrategien</li> <li>• wirtschaftliche Planungen</li> <li>• Preiskalkulationen und -gestaltungen</li> <li>• Wettbewerbsmarktanalysen</li> <li>• Umsatz- und Absatzzahlen</li> <li>• Personaldaten</li> <li>• Personalrestrukturierungskonzepte</li> <li>• Produktspezifikationen</li> <li>• Erfindungen, technische Verfahren und Abläufe, die nicht öffentlich bekannt sind und einen wirtschaftlichen Wert für das Unternehmen darstellen</li> <li>• Daten von Geschäfts- und Vertragspartnern</li> <li>• Lieferantendaten</li> <li>• Passwörter, Zugangskennungen.</li> </ul>	<p>2. In particular, but not exclusively, the following business secrets are to be kept secret by the Employee:</p> <ul style="list-style-type: none"> <li>• Business strategies</li> <li>• Economic planning</li> <li>• Pricing calculations and pricing policies</li> <li>• Analysis on competitive market</li> <li>• Turnover and sales figures</li> <li>• Employee data</li> <li>• Workforce restructuring plans</li> <li>• Product specifications</li> <li>• Inventions, technical procedures and methods that are not publicly known and have an economic value for the Employer</li> <li>• Data from business and contractual partners</li> <li>• Supplier data</li> <li>• Passwords, Access codes</li> </ul>



<p>3. Auch über die Verhandlungen bzgl. dieses Aufhebungsvertrages, insbesondere im Hinblick auf dessen Inhalt, ist der Mitarbeiter gegenüber Kollegen, Kunden und Geschäftspartnern der Gesellschaft zu Stillschweigen verpflichtet, soweit der Mitarbeiter nicht zur Auskunft gesetzlich verpflichtet ist. Die Verpflichtung zur Verschwiegenheit erstreckt sich auch auf sämtliche mit der Gesellschaft im Sinne von § 15 AktG verbundenen Unternehmen.</p>	<p>3. The Employee is also obligated to maintain confidentiality with regard to the negotiations concerning this Termination Agreement, in particular with regard to its content, vis-à-vis colleagues, customers and business partners of the Employer, unless the Employee is legally obligated to provide information. The obligation to maintain confidentiality shall also extend to all companies affiliated with the Employer within the meaning of Sec. 15 of the German Stock Corporation Act (AktG).</p>
<p>4. Im Übrigen gelten die Regelungen des Arbeitsvertrages.</p>	<p>4. In all other respects the provisions of the Employment Contract shall apply.</p>
<p style="text-align: center;"><b>§ 8</b> <b>Meldung Agentur für Arbeit</b></p>	<p style="text-align: center;"><b>Sec 8</b> <b>Notification of Employment Agency</b></p>
<p>Der Mitarbeiter wurde darauf hingewiesen, dass der Abschluss des Aufhebungsvertrags zu sozialversicherungsrechtlichen Nachteilen führen kann, insbesondere beim Bezug von Arbeitslosengeld (Sperrzeit/Ruhe des Anspruchs). Abschließende rechtsverbindliche Auskünfte sind den jeweiligen Sozialversicherungsträgern vorbehalten (Bundesagentur für Arbeit u. a.). Zur Aufrechterhaltung ungekürzter Ansprüche auf Arbeitslosengeld ist der Mitarbeiter nach § 38 SGB III verpflichtet, sich spätestens drei Monate vor Beendigung des Arbeitsverhältnisses bei der Agentur für Arbeit als arbeitssuchend zu melden. Liegen zwischen der Kenntnis des Beendigungszeitpunktes und der Beendigung des Arbeitsverhältnisses weniger als drei Monate, hat die Meldung innerhalb von drei Tagen nach Kenntnis des Beendigungszeitpunktes zu erfolgen. Der Mitarbeiter wird zudem darauf hingewiesen, dass er eigene Aktivitäten bei der Suche nach einer anderen Beschäftigung entfalten muss.</p>	<p>The Employee is informed that the conclusion of the Termination Agreement may lead to disadvantages under social security law, in particular with regard to the receipt of unemployment benefits (blocking period/suspension of entitlement). Final legally binding information is provided by the respective social insurance institutions (Federal Employment Agency, etc.). In order to maintain unreduced entitlement to unemployment benefits, the Employee is obliged under Sec. 38 SGB III to register with the Employment Agency as seeking work no later than three months before termination of the employment relationship. If there are less than three months between the date of knowledge of the termination and the termination of the employment relationship, the notification must be made within three days of knowledge of the termination date. The Employee is also informed that he must develop own activities in the search for other employment.</p>

<p style="text-align: center;"><b>§ 9 Abgeltung</b></p>	<p style="text-align: center;"><b>Sec. 9 Settlement</b></p>
<p>1. Mit Erfüllung der Verpflichtungen nach diesem Aufhebungsvertrag sind sämtliche finanziellen Ansprüche der Parteien aus dem Arbeitsverhältnis, gleichgültig ob bekannt, oder unbekannt, aus welchem Rechtsgrund und unabhängig vom Entstehungszeitpunkt, gegeneinander abgegolten und erledigt.</p>	<p>1. Upon fulfilment of the obligations under this Termination Agreement, all financial claims of the Parties arising from the employment relationship, whether known or unknown, on whatever legal grounds and irrespective of the time at which they arose, shall be settled and discharged against each other.</p>
<p>2. Die Parteien sind sich einig, dass der Urlaub vollständig in natura gewährt worden ist und dass keine Ansprüche des Mitarbeiters auf Freizeitausgleich bestehen.</p>	<p>2. The Parties agree that the vacation has been granted in full in kind and that the Employee is not entitled to time off in lieu.</p>
<p>3. Von diesem § 9 Abs. 1 ausgenommen sind Ansprüche wegen Verletzung des Lebens, des Körpers oder der Gesundheit, Ansprüche bei vorsätzlicher unerlaubter Handlung und bei vorsätzlicher Pflichtverletzung sowie alle nicht verzichtbaren Ansprüche des Mitarbeiters, insbesondere solche aus dem MiLoG.</p>	<p>3. Excluded from this Sec. 9 para. 1 are claims for injury to life, limb or health, claims in the event of intentional tort and intentional breach of duty as well as all claims of the Employee that cannot be waived, in particular those arising from the German Minimum Wage Act (MiLoG).</p>
<p style="text-align: center;"><b>§ 10 Annahmefrist</b></p>	<p style="text-align: center;"><b>Sec. 10 Acceptance Period</b></p>
<p>Die Gesellschaft hält sich an das Angebot dieses Aufhebungsvertrages nur bis zum <b>31. Juli 2024</b> gebunden. Für eine Annahme dieses Angebots ist es deshalb erforderlich, dass ein von dem Mitarbeiter unterzeichnetes Original dieses Aufhebungsvertrages fristgemäß bis spätestens zum <b>31. Juli 2024</b> bei der Gesellschaft eingeht.</p>	<p>The Employer is only bound by the offer of this Termination Agreement until <b>July 31, 2024</b>. For the acceptance of this offer, it is therefore necessary that the Employer receive an original of this Termination Agreement signed by the Employee by <b>July 31, 2024</b> at the latest.</p>
<p style="text-align: center;"><b>§11 Schlussbestimmungen</b></p>	<p style="text-align: center;"><b>Sec. 11 Final Provisions</b></p>
<p>1. Sofern Abweichungen zwischen der deutschen und der englischen Fassung dieses Aufhebungsvertrages bestehen, ist allein die deutsche Fassung maßgeblich.</p>	<p>1. In case of discrepancies between the German and the English version of this Termination Agreement, only the German version shall be applicable.</p>
<p>2. Dieser Aufhebungsvertrag gibt die Vereinbarung zwischen den Parteien vollständig und</p>	<p>2. This Agreement reflects the agreement between the Parties in full and accurately in</p>

<p>inhaltlich zutreffend wieder. Schriftliche oder mündliche Nebenabreden bestehen nicht.</p>	<p>terms of content. There are no written or oral collateral agreements.</p>
<p>3. Änderungen und Ergänzungen dieses Aufhebungsvertrages bedürfen zu ihrer Wirksamkeit der Schriftform und der ausdrücklichen Bezugnahme auf diesen Aufhebungsvertrag. Dies gilt auch für eine Änderung oder Aufhebung dieser Schriftformklausel. Hiervon ausgenommen sind lediglich Individualabreden nach § 305b BGB.</p>	<p>3. Amendments and supplements to this Termination Agreement must be done in writing in order to be effective. The same shall apply to a possible waiver of the written form requirement. Only individual agreements according to Sec. 305b of the German Civil Code shall be excluded herefrom.</p>
<p>4. Sollten einzelne Bestimmungen dieses Aufhebungsvertrages ganz oder teilweise unwirksam oder undurchführbar sein oder werden, so wird die Wirksamkeit der übrigen Bestimmungen dieses Aufhebungsvertrages hiervon nicht berührt. Anstelle der unwirksamen oder undurchführbaren Bestimmung vereinbaren die Parteien eine solche Regelung, die in rechtlich zulässiger Weise dem von den Vertragsparteien mit der unwirksamen oder undurchführbaren Bestimmung verfolgten wirtschaftlichen Zweck möglichst nahe kommt. Entsprechendes gilt für den Fall, dass dieser Vertrag Lücken enthalten sollte.</p>	<p>4. Should individual provisions of this Termination Agreement be or become invalid, in whole or in part, the validity of the remaining provisions of this Agreement shall not be affected thereby. The Parties shall agree on such regulation instead of the invalid or unenforceable provision, which comes closest to the commercial purpose pursued by the Parties with the invalid or unenforceable provision in a legally permissible manner. The same shall apply in case this Agreement should contain gaps.</p>
<p><b>Pieris Pharmaceuticals GmbH</b>  Ort, Datum / Location, Date:</p> <p>Freising, <u>23.07.24</u></p> <p><u>/s/ Thomas Bures</u>  Thomas Bures, Managing Director</p>	<p><b>Mitarbeiter/ Employee</b>  Ort, Datum/ Location, Date:</p> <p>Freising, <u>23.07.24</u></p> <p><u>/s/ Shane Olwill</u>  Dr. Shane Olwill</p>

**CERTIFICATIONS UNDER  
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - 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.

Dated: November 13, 2024

/s/ Stephen S. Yoder

---

Stephen S. Yoder

Title: Chief Executive Officer and President (principal executive officer)

**CERTIFICATIONS UNDER  
SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Thomas Bures, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - 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.

Dated: November 13, 2024

/s/ Thomas Bures

Thomas Bures

Title: Chief Financial Officer (principal financial officer and principal accounting officer)

CERTIFICATIONS 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, 2024 (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.

Dated: November 13, 2024

/s/ Stephen S. Yoder

Stephen S. Yoder

Title: Chief Executive Officer and President  
(principal executive officer)

## CERTIFICATIONS 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, 2024 (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.

Dated: November 13, 2024

/s/ Thomas Bures

Thomas Bures

Title: Chief Financial Officer  
(principal financial officer and principal accounting officer)