

**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, 2023

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:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on which Registered</u>
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 9, 2023, the registrant had 98,851,927 shares of common stock outstanding.

TABLE OF CONTENTS

	Page
<u>PART I: FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations and Comprehensive Loss for the Three and Nine Months ended September 30, 2023 and 2022</u>	<u>2</u>
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three and Nine Months ended September 30, 2023 and 2022</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months ended September 30, 2023 and 2022</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>22</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>31</u>
<u>Item 4. Controls and Procedures</u>	<u>32</u>
<u>PART II: OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>33</u>
<u>Item 1A. Risk Factors</u>	<u>33</u>
<u>Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities</u>	<u>36</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>36</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>36</u>
<u>Item 5. Other Information</u>	<u>36</u>
<u>Item 6. Exhibits</u>	<u>36</u>
<u>SIGNATURES</u>	<u>38</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, potential strategic transactions or alternatives, 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 “anticipates,” “believes,” “can,” “continue,” “look forward,” “ongoing,” “could,” “estimates,” “expects,” “intends,” “may,” “appears,” “suggests,” “future,” “likely,” “plans,” “potential,” “possibly,” “projects,” “predicts,” “seek,” “should,” “target,” “would” or “will” or the negative of these terms or other comparable terminology. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under “Risk Factors” or elsewhere in our most recent Annual Report on Form 10-K 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: our ability to successfully identify and implement any strategic transaction or strategic transactions that we may consummate in the future, on attractive terms or at all; our ability to realize the anticipated benefits of any strategic transaction; our ability to achieve anticipated cost savings and capital preservation as a result of our workforce reduction and related restructuring; our ability to partner our drug candidates, including cinrebafusp alfa, on attractive terms or at all; the results of our research and development activities, including uncertainties relating to the preclinical and ongoing or planned clinical testing of our drug candidates; the early stage of our drug candidates presently under development; our or our partners' continued progress, if any, in the areas of co-stimulatory bispecifics and inhaled therapeutics; our ability to obtain and, if obtained, maintain regulatory approval of our current drug candidates and any of our future drug candidates; our need for substantial additional funds in order to continue our operations and the uncertainty of whether we will be able to obtain the funding we need; our ability to meet the minimum bid price requirement for our common stock for continued inclusion on the Nasdaq Capital Market or otherwise maintain the listing of our common stock on Nasdaq; our future financial performance; our ability to retain key personnel; our ability to protect our intellectual property rights that are valuable to our business, including patent and other intellectual property rights; our dependence on third-party manufacturers, suppliers, research organizations, testing laboratories and other potential collaborators; the success of our collaborations with third parties; our 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 any 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; Servier's ability to advance the phase 1 study for PRS-344/S095012; Seagen's ability to continue to advance SGN-BB228 (also known as PRS-346); Boston Pharmaceuticals' ability to continue to advance PRS-342/BOS-342; our other partners' ability to continue to advance programs out-licensed to them; the expected impact of new accounting standards; and delays or disruptions due to COVID-19 or geopolitical issues, including the conflicts in Ukraine and the Middle East, on our research, development, supply chain and clinical trials.

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) of this Quarterly Report on Form 10-Q or Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the Securities and Exchange Commission, or SEC, on March 31, 2023, 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.

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. \$1.05727 based on information provided by Xignite as of September 30, 2023.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

PIERIS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,894	\$ 38,635
Short term investments	11,916	20,534
Accounts receivable	1,045	5,810
Assets held for sale, property and equipment	2,098	—
Operating lease right-of-use assets, current	1,984	—
Prepaid expenses and other current assets	9,152	8,445
Total current assets	59,089	73,424
Property and equipment, net	—	16,992
Operating lease right-of-use assets, non-current	—	3,705
Other non-current assets	287	1,369
Total assets	\$ 59,376	\$ 95,490
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,816	\$ 4,154
Operating lease liabilities, current	12,292	859
Accrued expenses and other current liabilities	12,764	10,746
Deferred revenues, current portion	994	20,824
Total current liabilities	28,866	36,583
Deferred revenue, net of current portion	—	18,734
Operating lease liabilities, non-current	—	12,244
Total liabilities	28,866	67,561
Stockholders' equity:		
Preferred stock	—	—
Common stock	99	74
Additional paid-in capital	341,130	318,530
Accumulated other comprehensive loss	(339)	(254)
Accumulated deficit	(310,380)	(290,421)
Total stockholders' equity	30,510	27,929
Total liabilities and stockholders' equity	\$ 59,376	\$ 95,490

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		Nine Months Ended September	
	30,	30,	30,	30,
	2023	2022	2023	2022
Revenue				
Customer revenue	\$ 15,569	\$ 5,112	\$ 37,665	\$ 19,760
Collaboration revenue	3,951	258	3,846	296
Total revenue	19,520	5,370	41,511	20,056
Operating expenses				
Research and development	9,595	13,589	37,347	39,602
General and administrative	6,839	3,949	14,526	12,409
Asset impairment	14,893	—	14,893	—
Total operating expenses	31,327	17,538	66,766	52,011
Loss from operations	(11,807)	(12,168)	(25,255)	(31,955)
Other income (expense)				
Interest income	549	241	1,396	370
Grant income	—	1,468	3,612	4,782
Other income (loss)	506	723	288	1,628
Net loss	\$ (10,752)	\$ (9,736)	\$ (19,959)	\$ (25,175)
Other comprehensive income loss:				
Foreign currency translation	(204)	(31)	(159)	(387)
Unrealized gain on available-for-sale securities	2	(70)	74	82
Comprehensive loss	\$ (10,954)	\$ (9,837)	\$ (20,044)	\$ (25,480)
Net loss per share				
Basic and diluted	\$ (0.11)	\$ (0.13)	\$ (0.23)	\$ (0.34)
Weighted average number of common shares outstanding				
Basic and diluted	98,852	74,397	87,093	74,080

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, 2022 and 2023

	Preferred shares		Common shares		ATM proceeds receivable	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, 2022	16	\$ —	74,257	\$ 74	\$ —	\$ 316,249	\$ 625	\$ (272,583)	\$ 44,365
Net loss	—	—	—	—	—	—	—	(9,736)	(9,736)
Foreign currency translation adjustment	—	—	—	—	—	—	(31)	—	(31)
Unrealized loss on investments	—	—	—	—	—	—	(70)	—	(70)
Stock based compensation expense	—	—	—	—	—	974	—	—	974
Issuance of common stock pursuant to ATM offering program, net of de minimis offering costs	—	—	149	—	—	265	—	—	265
Balance at September 30, 2022	16	\$ —	74,406	\$ 74	\$ —	\$ 317,488	\$ 524	\$ (282,319)	\$ 35,767
Balance as of June 30, 2023	16	\$ —	98,852	\$ 99	\$ —	\$ 340,164	\$ (137)	\$ (299,628)	\$ 40,498
Net loss	—	—	—	—	—	—	—	(10,752)	(10,752)
Foreign currency translation adjustment	—	—	—	—	—	—	(204)	—	(204)
Unrealized gain on investments	—	—	—	—	—	—	2	—	2
Stock based compensation expense	—	—	—	—	—	966	—	—	966
Balance at September 30, 2023	16	\$ —	98,852	\$ 99	\$ —	\$ 341,130	\$ (339)	\$ (310,380)	\$ 30,510

PIERIS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited, in thousands)
For the Nine Months Ended September 30, 2022 and 2023

	Preferred shares		Common shares		ATM proceeds receivable	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, 2021	16	\$ —	72,222	\$ 72	\$ —	\$ 306,998	\$ 829	\$ (257,144)	\$ 50,755
Net loss	—	—	—	—	—	—	—	(25,175)	(25,175)
Foreign currency translation adjustment	—	—	—	—	—	—	(387)	—	(387)
Unrealized loss on investments	—	—	—	—	—	—	82	—	82
Stock based compensation expense	—	—	—	—	—	3,453	—	—	3,453
Issuance of common stock resulting from exercise of stock options	—	—	46	—	—	95	—	—	95
Issuance of common stock resulting from purchase of employee stock purchase plan shares	—	—	69	—	—	104	—	—	104
Issuance of common stock pursuant to ATM offering program, net of \$0.3 million in offering costs	—	—	2,069	2	—	6,838	—	—	6,840
Balance at September 30, 2022	16	\$ —	74,406	\$ 74	\$ —	\$ 317,488	\$ 524	\$ (282,319)	\$ 35,767
Balance at December 31, 2022	16	\$ —	74,519	\$ 74	\$ —	\$ 318,530	\$ (254)	\$ (290,421)	\$ 27,929
Net loss	—	—	—	—	—	—	—	(19,959)	(19,959)
Foreign currency translation adjustment	—	—	—	—	—	—	(159)	—	(159)
Unrealized gain on investments	—	—	—	—	—	—	74	—	74
Stock based compensation expense	—	—	—	—	—	2,898	—	—	2,898
Issuance of common stock resulting from purchase of employee stock purchase plan shares	—	—	72	1	—	51	—	—	52
Issuance of common stock pursuant to ATM offering program, net of \$0.7 million in offering costs	—	—	24,261	24	—	19,651	—	—	19,675
Balance at September 30, 2023	16	\$ —	98,852	\$ 99	\$ —	\$ 341,130	\$ (339)	\$ (310,380)	\$ 30,510

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

PIERIS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	Nine Months Ended September 30,	
	2023	2022
Operating activities:		
Net loss	\$ (19,959)	\$ (25,175)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,102	2,195
Right-of-use asset (accretion) amortization	(98)	—
Stock-based compensation	2,898	3,453
Asset impairment expense	14,893	—
Realized investment (losses) gains	(53)	(299)
Other non-cash transactions	(129)	216
Changes in operating assets and liabilities	(33,804)	(27,389)
Net cash used in operating activities	(34,150)	(46,999)
Investing activities:		
Purchases of property and equipment	(184)	(1,052)
Proceeds from maturity of investments	24,007	21,900
Purchases of investments	(15,270)	(43,191)
Net cash provided by (used in) investing activities	8,553	(22,343)
Financing activities:		
Proceeds from exercise of stock options	—	95
Proceeds from employee stock purchase plan	52	104
Proceeds from issuance of common stock resulting from ATM sales, net of \$0.7 million and \$0.3 million in transaction costs, respectively	19,729	6,922
Net cash provided by financing activities	19,781	7,121
Effect of exchange rate change on cash and cash equivalents	75	(7,120)
Net decrease in cash and cash equivalents	(5,741)	(69,341)
Cash and cash equivalents at beginning of period	38,635	117,764
Cash and cash equivalents at end of period	\$ 32,894	\$ 48,423
Supplemental cash flow disclosures:		
Net unrealized gain on investments	\$ 74	\$ 82
Property and equipment included in accounts payable	\$ —	\$ 31

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. was founded in May 2013, and acquired 100% interest in Pieris Pharmaceuticals GmbH (formerly Pieris AG, a German company that was founded in 2001) in December 2014. Pieris Pharmaceuticals, Inc. and its wholly-owned subsidiaries, hereinafter collectively Pieris, or the Company, is a clinical-stage biopharmaceutical company that has focused on the discovery and development of Anticalin®-based drugs to target validated disease pathways in unique and transformative ways. Pieris' corporate headquarters is located in Boston, Massachusetts and its research facility is located in Hallbergmoos, Germany.

Pieris' clinical pipeline includes an inhaled Anticalin protein targeting connective tissue growth factor to treat idiopathic pulmonary fibrosis, an immunoncology, or IO, bispecific targeting 4-1BB and PD-L1, which is being advanced by Servier, an IO bispecific targeting 4-1BB and CD228, which is being advanced by Seagen, and an IO bispecific targeting 4-1BB and GPC3, which is being advanced by Boston Pharmaceuticals. The Company's core Anticalin technology and platform were developed in Germany, and the Company has partnership arrangements with several major multi-national pharmaceutical companies.

The Company has historically been subject to risks common to companies in the biotechnology industry, including but not limited to, the need for additional capital, risks of failure of preclinical studies and clinical trials, the need to obtain marketing approval and reimbursement for any drug product candidate that it may identify and develop, the need to successfully commercialize and gain market acceptance of its product candidates, dependence on key personnel, protection of proprietary technology, compliance with government regulations, development of technological innovations by competitors, and reliance on third-party manufacturers, suppliers, and service providers. The Company has historically devoted substantially all of its financial resources and efforts to research and development and general and administrative expenses to support such research and development. Going forward and as explained in more detail below, the Company plans to continue to devote substantial time and resources into exploring strategic transactions that the Company's board of directors believes would maximize shareholder value.

Strategic Update and Reduction in Force

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 primarily related to recent events that have impacted the Company's inhaled respiratory franchise, including AstraZeneca's discontinuation of enrollment of the Phase 2a study for elarekibep. As part of this initiative, the Company engaged Stifel, Nicolaus & Company, Incorporated to serve as strategic advisor in its review of strategic transactions. The Company continues to explore various potential strategic alternatives, such as mergers, reverse mergers, acquisitions, other business combinations or sales of assets, as well as potential partnerships for its therapeutic programs, including cinrebafusp alfa (PRS-343).

Also on July 18, 2023, the Company's board of directors approved a reduction in the Company's workforce by approximately 70%. The Company incurred approximately \$6.8 million of costs in connection with the reduction in workforce related to severance pay and other related termination benefits in the third quarter of 2023, inclusive of severance pay and related costs for currently retained employees estimated to be paid through the second quarter of 2024 as the service period to earn such benefits is considered complete.

Going Concern Uncertainties

As of September 30, 2023, cash, cash equivalents, and investments were \$44.8 million. For the three months ended September 30, 2023 and 2022, the Company had net losses of \$10.8 million and \$9.7 million, respectively. The Company has incurred net losses since inception and had an accumulated deficit of \$310.4 million as of September 30, 2023. 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.

As part of the Company's decision to explore strategic transactions, the Company implemented a plan to limit a substantial portion of its research, development and clinical projects, including stopping future investments in PRS-220 phase 2a readiness activities and research and development activities for PRS-400, opting out of co-development of PRS-344/S095012 in the U.S., and reducing discretionary expenditures and other fixed or variable personnel costs.

Further investments in these or other programs could be reevaluated in the future if the Company is successfully able to consummate strategic transactions or collaborations, licensing arrangements, or public or private equity financings. Furthermore, the Company expects to devote substantial time and resources to exploring strategic transactions that the board of directors believes will maximize stockholder value. Despite devoting significant efforts to identify and evaluate potential strategic transactions, there can be no assurance that this strategic review process will result in the Company pursuing any transaction or that any transaction, if pursued, will be completed on attractive terms or at all. The Company has not set a definitive timetable for completion of this strategic review process, and the board of directors has not approved a definitive course of action. Additionally, there can be no assurances that any particular course of action, business arrangement or transaction, or series of transactions, will be pursued, successfully consummated or lead to increased stockholder value. In addition, if the Company seeks to raise additional capital to fulfill its operating and capital requirements through public or private equity financings, utilization of its current "at the market offering" program, or ATM Program, strategic collaborations, licensing arrangements, government grants and/or the achievement of milestones under its collaborative agreements, there is no assurance that the Company would be successful in obtaining sufficient funding on terms acceptable to the Company to fund continuing operations, if at all, and the terms of any future financing may adversely affect the holdings or the rights of the Company's existing stockholders. On the basis of the Company's approved budget and actions within management's control, the Company believes that its currently available funds will be sufficient to fund the Company's remaining limited operations through at least the next 12 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, 2022. There have been no material additions to the significant accounting policies for the nine months ended September 30, 2023.

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, 2023 are not necessarily indicative of results that may be expected for the year ending December 31, 2023. 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, 2022, which was filed with the SEC on March 31, 2023.

Basis of Presentation and Use of Estimates

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

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; determination of the incremental borrowing rate to calculate right-of-use assets and lease liabilities; 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, 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 primarily consist 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. The estimated useful life of the different groups of property and equipment is as follows:

Asset Classification	Estimated useful life (in years)
Leasehold improvements	shorter of useful life or remaining life of the lease
Laboratory furniture and equipment	8 - 14
Office furniture and equipment	5 - 13
Computer and equipment	3 - 7

If the criteria in *ASC 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 cost 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.

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 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 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 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 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.

Recent Accounting Pronouncements Adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements*, or ASU 2016-13. ASU 2016-13 significantly changes the impairment model for most financial assets and certain other instruments. The new standard requires that expected credit losses relating to financial assets measured on an amortized cost basis and available-for-sale debt securities be recorded through an allowance for credit losses. It also limits the amount of credit losses to be recognized for available-for-sale debt securities to the amount by which carrying value exceeds fair value, and requires the reversal of previously recognized credit losses if fair value increases. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset.

Subsequently, in November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*, which clarifies codification and corrects unintended application of the guidance. In November 2019, the FASB issued ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*, which clarifies or addresses specific issues about certain aspects of ASU 2016-13. In November 2019 the FASB also issued ASU No. 2019-10, *Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which delays the effective date of ASU 2016-13 by three years for certain smaller reporting companies such as the Company. The guidance in ASU 2016-13 is effective for the Company for financial statements issued for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years, with early adoption permitted. The Company adopted the standard as of January 1, 2023 and concluded the effect to the unaudited condensed consolidated financial statements was immaterial.

The Company has considered other recent accounting pronouncements and concluded that they are either not applicable to the business or that the effect is not expected to be material to the unaudited condensed consolidated financial statements as a result of future adoption.

3. Revenue

General

The Company has not generated revenue from product sales. The Company has generated revenue from contracts with customers and revenue from 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,	
	2023	2022	2023	2022
Seagen	\$ 9,179	\$ 155	\$ 14,088	\$ 3,074
AstraZeneca	3,909	4,404	8,399	9,026
Servier	3,951	258	3,846	5,223
Genentech	—	553	12,697	2,733
Boston Pharmaceuticals	2,481	—	2,481	—
Total Revenue	\$ 19,520	\$ 5,370	\$ 41,511	\$ 20,056

As of September 30, 2023, 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
Seagen	\$ 759	\$ 450
Servier	103	95
Boston Pharmaceuticals	85	265
Total potential milestone payments	\$ 947	\$ 810

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 still has an option to select additional programs with the payment of a \$10 million fee per additional program. If Genentech exercises its option to start additional programs, the Company would be eligible to receive additional milestone payments, as well as tiered royalty payments on net sales, subject to certain standard reductions and offsets. Genentech's options to nominate two additional collaboration targets of their choosing is subject to the legal availability of the target to be researched.

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 PRS-342/BOS-342, a 4-1BB/GPC3 preclinical immuno-oncology Mabcalin™ (antibody-Anticalin fusion) protein.

Under the terms of the BP Agreement, Boston Pharmaceuticals exclusively licensed worldwide rights to PRS-342/BOS-342. The Company received an upfront payment of \$10.0 million and is further entitled to receive development, regulatory and sales-based milestone payments, tiered royalties up to low double-digits on sales of PRS-342/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 also contributed \$4.0 million toward manufacturing activities.

The amounts allocated to the performance obligations did not meet the criteria to be recognized over time on a proportional performance basis and thus will be recognized at a point in time. The Company determined that the performance obligation will be fully satisfied when all of the deliverables in the combined performance obligation are transferred to Boston Pharmaceuticals as that is the point at which Boston Pharmaceuticals can fully use and benefit from the license to PRS-342/BOS-342. In the fourth quarter of 2021, the Company transferred all deliverables to Boston Pharmaceuticals related to the one performance obligation under the collaboration. Therefore, the Company recognized the full transaction price as revenue in 2021 and there are 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.

Seagen

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

Under the terms of the Seagen Agreements, the companies agreed to pursue multiple antibody-Anticalin fusion proteins during the research phase. The Seagen Agreements provide Seagen a base option to select up to three programs for further development. Prior to the initiation of a pivotal trial, the Company may opt into global co-development and U.S. commercialization of the second program and share in global costs and profits on an equal basis. Seagen agreed to solely develop, fund and commercialize the other two programs. Seagen may also decide to select additional candidates from the initial research phase for further development in return for the payment to the Company of additional fees, milestone payments and royalties.

The Seagen Platform License grants Seagen a non-exclusive license to certain intellectual property related to the Anticalin platform technology.

Upon signing the Seagen Agreements, Seagen paid the Company a \$30.0 million upfront fee and an additional \$4.9 million was estimated to be paid for research and development services as reimbursement to the Company through the end of the research term. In addition, the Company may receive tiered royalties on net sales up to the low double-digits and up to \$1.2 billion in total success-based research, development, commercial and sales milestones payments across the product candidates, depending on the successful development and commercialization of those candidates. If Seagen exercises its option to select additional candidates from the initial research phase for further development, the Company would be entitled to additional fees, and potential milestone payments and royalties.

The term of each of the Seagen Agreements ends upon the expiration of all of Seagen's payment obligations under each such agreement. The Seagen Collaboration Agreement may be terminated by Seagen on a product-by-product basis for convenience beginning 12 months after its effective date upon 90 days' notice or, for any program where a pivotal study has been initiated, upon 180 days' notice. Any program may be terminated at Seagen's option. If any program is terminated by Seagen after a predefined preclinical stage, the Company will have full rights to continue such program. If any program is terminated by Seagen prior to such predefined preclinical stage, the Company will have the right to continue to develop such program, but will be obligated to offer a co-development option to Seagen for such program. The Seagen Collaboration Agreement may also be terminated by Seagen or the Company for an uncured material breach by the other party upon 90 days' notice, subject to extension for an additional 90 days if the material breach relates to diligence obligations and subject, in all cases, to dispute resolution procedures. The Seagen Collaboration Agreement may also be terminated due to the other party's insolvency and may in certain instances, including for reasons of safety, be terminated on a product-by-product basis. Each party may also terminate the Seagen Agreements if the other party challenges the validity of any patents licensed under the Seagen Agreements, subject to certain exceptions. The Seagen Platform License will terminate upon termination of the Seagen Collaboration Agreement, whether in its entirety or on a product-by-product basis.

The Company determined that the Seagen Agreements should be combined and evaluated as a single arrangement under ASC 606 as they were executed on the same date. The arrangement with Seagen provides for the transfer of the following goods or services: (i) three candidate research licenses that each consist of a non-exclusive platform technology license, a co-exclusive candidate research license, and research and development services, (ii) research, development and manufacturing services associated with each candidate research license, (iii) participation on various governance committees, and (iv) two antibody target swap options which were assessed as material rights.

Management evaluated all of the promised goods or services within the contract and determined which such goods and services were separate performance obligations. The Company determined that the licenses granted, at arrangement inception, should be combined with the research and development services to be provided for the related antibody target programs as they are not capable of being distinct. A third party would not be able to provide the research and development services due to the specific nature of the intellectual property and knowledge required to perform the services, and Seagen could not benefit from the licenses without the corresponding services. The Company determined that the participation on the various governance committees was distinct as the services could be performed by an outside party.

As a result, management concluded there were six separate performance obligations at the inception of the Seagen Agreements: (i) three combined performance obligations, each comprised of a non-exclusive platform technology license, a co-exclusive candidate research license, and research and development services for the first three approved Seagen antibody target programs, (ii) two performance obligations each comprised of a material right for an antibody target swap option for the first and the second approved Seagen antibody target for no additional consideration, and (iii) one performance obligation comprised of the participation on the various governance committees.

The Company allocated consideration to the performance obligations based on the relative proportion of their standalone selling prices. The Company developed standalone selling prices for licenses by applying a risk adjusted, net present value, estimate of future potential cash flows approach, which included the cost of obtaining research and development services at arm's length from a third-party provider, as well as internal full-time equivalent costs to support these services. The Company developed the standalone selling price for committee participation by using management's estimate of the anticipated participation hours multiplied by a market rate for comparable participants.

The transaction price at inception is comprised of fixed consideration of \$30.0 million in upfront fees and variable consideration of \$4.9 million of estimated research and development services to be reimbursed as research and development occurs through the research term. The \$30.0 million upfront fee, which represents the fixed consideration in the transaction price, was allocated to each of the performance obligations based on the relative proportion of their standalone selling prices. The \$4.9 million in variable consideration related to the research and development services is allocated specifically to the three target program performance obligations based upon the budgeted services for each program.

The amounts allocated to the performance obligations for the three research programs will be recognized on a proportional performance basis through the completion of each respective estimated research term of the individual research programs. The amounts allocated to the material right for the antibody target swap option will be recognized either at the time the material right expires or, if exercised, on a proportional performance basis over the estimated research term for that program. The amounts allocated to the participation on each of the committees will be recognized on a straight-line basis over the anticipated research term for all research programs. As of September 30, 2023, there was \$1.0 million of aggregate transaction price allocated to remaining performance obligations.

On March 24, 2021, the Company announced that Seagen made a strategic equity investment in the Company, and that the companies had entered into a combination study agreement, or the Combination Study Agreement, to evaluate the safety and efficacy of combining Pieris' cinrebafusp alfa with Seagen's tucatinib, a small-molecule tyrosine kinase HER2 inhibitor, for the treatment of gastric cancer patients expressing lower HER2 levels. Enrollment into the phase 2 study was ceased in August 2022 as part of a strategic pipeline prioritization, and the Combination Study Agreement was terminated. The companies have also entered into an Amended and Restated License and Collaboration Agreement, or the Second Seagen Amendment, in which their existing IO collaboration agreement has been amended relating to joint development and commercial rights for the second program in the alliance. In connection with the agreements described above, the Company and Seagen also entered into a subscription agreement, or the Seagen Subscription Agreement.

Under the Second Seagen Amendment, Pieris' option to co-develop and co-commercialize the second of three programs in the collaboration has been converted to a co-promotion option of one of the three programs in the United States, with Seagen solely responsible for the development and overall commercialization of that program. Pieris will also be entitled to increased royalties from that program in the event that it chooses to exercise the co-promotion option. In connection with the Seagen Subscription Agreement, the Company agreed to issue to Seagen, and Seagen agreed to acquire from the Company, 3,706,174 shares of the Company's common stock for a total purchase price of \$13.0 million, or \$3.51 per share, in a private placement transaction pursuant to Section 4(a)(2) of the Securities Act. The Seagen Subscription Agreement includes a provision to the effect that Seagen may ask the Company to file a registration statement to register the resale of the shares issued to Seagen, at any time beginning on the date that is 60 calendar days from the date of issuance of the shares. The Company assessed the ASC 606 implications of the Seagen Subscription Agreement and concluded that the fair value of the shares on a per share basis was \$2.61 per share as of the transaction date. This resulted in a premium paid for the shares of \$3.3 million, all of which was recorded in deferred revenue upon contract execution and allocated to the remaining performance obligations.

The Company has concluded that the Combination Study Agreement is within the scope of ASC 808, which defines collaborative arrangements and addresses the presentation of the transactions between the two parties in the income statement and related disclosures. However, ASC 808 does not provide guidance on the recognition of consideration exchanged or accounting for the obligations that may arise between the parties. The Company has concluded that ASC 730, *Research and Development*, should be applied by analogy. There is no financial statement impact for the Combination Study Agreement as the value of the drug supply received from Seagen is offset against the drug supply cost.

Under the Seagen 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. With the exception of the previously discussed achieved milestone, the Company has determined that all other research and development milestones will be constrained until it is deemed probable that a significant revenue reversal will not occur.

In
January 2023, the Company achieved a milestone for the
first program in the Seagen 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, Seagen and the Company entered into an amendment of the Second Seagen Amendment that provides Seagen with collaboration
product licenses and
no changes to the amounts achievable under the collaboration agreement.

The effect of the
September 30, 2023 amendment was to transfer responsibility for substantially all activities previously performed by the Company to Seagen.
Accordingly, the Company recognized revenue of approximately
\$9.0 million for the delivery on its performance obligations related to the
two programs.

As of September 30, 2023, there was \$1.0 million of current deferred revenue related to the Seagen Agreements.

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. As of June 30, 2023, the AstraZeneca Lead Product and three of the four AstraZeneca Collaboration Products had been discontinued. The first two discovery-stage programs were previously discontinued in 2022, which led to approximately \$9.7 million in revenue recognized due to these discontinuations. Elarekibep and the third discovery-stage program were discontinued in the second quarter of 2023. There was no effect to revenue as a result of the discontinuation of elarekibep, while the discontinuation of the third discovery program led to recognition of \$4.0 million of revenue in the quarter ended June 30, 2023.

On July 17, 2023, AstraZeneca notified the Company of its intention to terminate the AstraZeneca Collaboration Agreement and the AstraZeneca Platform License, effective October 15, 2023. AstraZeneca's decision to terminate the AstraZeneca Agreements was based on non-clinical safety findings in a 13-week toxicology study of elarekibep in non-human primates previously disclosed by the Company. As a result of this, the remaining amount of current deferred revenue, or \$3.5 million, as of September 30, 2023 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 will be free to choose to further develop all assets that were the subject of the AstraZeneca Agreements; the Company will evaluate the programs and its rights under the AstraZeneca Agreements and determine its strategic options after its review.

The Company incurred \$1.6 million of third-party success fees to obtain the contract with AstraZeneca. Upon adoption of ASC 606, the Company capitalized \$1.1 million in accordance with ASC 340. In accordance with the termination of the AstraZeneca Agreements and recognition of remaining revenue, the Company also amortized the remaining deferred transactions costs to obtain the contract, or \$0.1 million, during the three months ended September 30, 2023. Amortization during the nine months ended September 30, 2023 was \$0.3 million. Amortization during the three and nine months ended September 30, 2022 was \$0.2 million and \$0.3 million, respectively.

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, 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, or the Collaboration Products.

In the first quarter of 2022, the Company satisfied the performance obligation related to the material right for PRS-352/S095025, which led to point-in-time recognition of revenue for \$4.9 million of revenue previously deferred. In the fourth quarter of 2022, Servier discontinued development of PRS-352/S095025 based upon a strategic portfolio review. 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 co-development and commercialization of PRS- 344/S095012, a 4- 1BB/PD- L1 bispecific Mabcalin protein, in the U.S. Servier retains exclusive, even as to the Company, worldwide rights to the program, including the right to continue to advance development and potential commercialization of PRS- 344/S095012 in the U.S. As a result of the Company's decision to opt out of co-development, the Company will be entitled to increased royalty rates and potential royalties and milestones, if any, for PRS- 344/S095012 under the terms of the Servier Agreement. With the decision to opt out of co-development of PRS- 344/S095012, the Company recognized the remaining revenue under the collaboration, or \$4.7 million, in the quarter ended September 30, 2023 and there are no more active co-development programs under the collaboration.

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, 2023. 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 is PRS-220, an oral inhaled Anticalin protein targeting connective tissue growth factor, or CTGF, and it is being developed as a local treatment for idiopathic pulmonary fibrosis and other forms of fibrotic lung diseases. In June 2021, the Company was selected to receive a €14.2 million (approximately \$17.0 million as of June 2021) grant from the Bavarian Ministry of Economic Affairs, Regional Development and Energy (the Bavarian Grant) supporting research and development for the program.

The Bavarian Grant provides 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 provides reimbursement of qualifying costs incurred through December 2023 (with submission for reimbursements allowed through February 2024). The timing of reimbursements follows the expected development timeline of this program. Qualifying costs incurred may exceed the annual grant funding thresholds. If the Company receives any proceeds from the sale of or licensing income from PRS-220, the funds available for reimbursement will be reduced proportionally if they are obtained prior to December 2023. In this case, the Company may also be required to refund some or all of the amounts received under the grant. The Company is required to communicate the amount of such proceeds to the Bavarian Ministry of Economic Affairs, Regional Development and Energy in each case with the request to draw down the funds. In addition, the Company is required to communicate if there is a change in control or other event that would impact the continuation of PRS-220 to the Bavarian project agency, in which case the Company may be required to refund some or all of amounts received under the grant.

5. Cash, cash equivalents and investments

As of September 30, 2023 and December 31, 2022, cash, cash equivalents and investments comprised funds in depository, money market accounts, U.S. and foreign treasury securities, asset-backed securities and corporate bonds. The following table presents the cash equivalents and investments carried at fair value in accordance with the hierarchy defined in Note 2 at September 30, 2023 and December 31, 2022.

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
September 30, 2023				
Money market funds, included in cash equivalents	\$ 27,653	\$ 27,653	\$ —	\$ —
Investments - US treasuries	11,916	11,916	—	—
Total	<u>\$ 39,569</u>	<u>\$ 39,569</u>	<u>\$ —</u>	<u>\$ —</u>
December 31, 2022				
Money market funds, included in cash equivalents	\$ 17,618	\$ 17,618	\$ —	\$ —
Investments - US treasuries	3,573	3,573	—	—
Investments - Foreign treasuries	896	896	—	—
Investments - Asset-backed securities	499	—	499	—
Investments - Corporate bonds	15,566	—	15,566	—
Total	<u>\$ 38,152</u>	<u>\$ 22,087</u>	<u>\$ 16,065</u>	<u>\$ —</u>

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, 2023.

Investments at September 30, 2023 consisted of the following (in thousands):

	Contractual maturity (in days)	Amortized Cost	Unrealized gains	Unrealized losses	Fair Value
Investments					
US treasuries	3-101	\$ 11,915	\$ 1	\$ —	\$ 11,916
Total		<u>\$ 11,915</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 11,916</u>

The Company 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, and recorded \$0.2 million and \$0.3 million in realized gains from the maturity of available-for-sale securities during the three and nine months ended September 30, 2022, respectively.

As of September 30, 2023, there were no investments with a fair value that was significantly lower than the amortized cost basis or any investments that had been in an unrealized loss position for a significant period.

6. Assets Held for Sale, Property and Equipment

As of December 31, 2022, property and equipment are summarized as follows (in thousands):

	December 31, 2022
Laboratory furniture and equipment	\$ 11,970
Office furniture and equipment	1,861
Computer equipment	364
Leasehold improvements	12,444
Property and equipment, cost	26,639
Accumulated depreciation	(9,647)
Property and equipment, net	<u>\$ 16,992</u>

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

	September 30, 2023
Laboratory furniture and equipment	\$ 1,887
Office furniture and equipment	211
Assets held for sale, property and equipment	<u>\$ 2,098</u>

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 Company engaged Stifel to assist with a process to locate a buyer alongside internal efforts to sell the majority of property and equipment held there. 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. Given the ongoing strategic review, it is unlikely that significant change to the plan will occur. As a result of this decision, the property and equipment met the criteria for held-for-sale accounting as of September 30, 2023. The Company is in the process of obtaining third-party appraisals for the resale value of equipment to be disposed and expects substantially all assets to be disposed by the end of the first quarter of 2024.

The Company recorded impairment charges totaling \$14.9 million, of which \$1.8 million related to impairment of its right-of-use asset under the Hallbergmoos Lease (see Note 10) with the remaining related to a complete write-off of leasehold improvements and a partial impairment of the Company's other long-lived assets. The remaining \$2.1 million in net book value of its long-lived assets represents the Company's best estimate of the fair value less costs to sell that could be recovered related to lab 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.

7. Accrued Expenses

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

	September 30, 2023	December 31, 2022
Compensation expense	\$ 8,735	\$ 3,015
Research and development fees	1,971	5,758
Accrued accounts payable	1,348	1,245
Other current liabilities	575	483
Accrued license obligations	135	245
Total	<u>\$ 12,764</u>	<u>\$ 10,746</u>

The compensation expense line item in the above table includes both severance and retention costs associated with the Company's recently announced corporate restructuring. The Company recognized restructuring expenses consisting of one-time cash severance payments and other employee-related costs of \$6.8 million during the three and nine months ended September 30, 2023. Severance pay and related costs for currently retained employees are estimated to be paid through the second quarter 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.

8. Net Income (Loss) per Share

Basic net loss per share is calculated by dividing net income 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. Therefore, basic and diluted net loss per share were the same for all periods presented.

As of September 30, 2023 and 2022, and as calculated using the treasury stock method, approximately 41.0 million and 38.8 million of weighted average shares, respectively, were excluded from the calculation of diluted weighted average shares outstanding as their effect was antidilutive.

9. Stockholders' Equity

The Company had 300,000,000 shares authorized and 98,851,927 and 74,519,103 shares of common stock issued and outstanding as of September 30, 2023 and December 31, 2022, respectively, with a par value of \$0.001 per share.

The Company had 10,000,000 shares authorized and 15,617 shares of preferred stock issued and outstanding as of September 30, 2023 and December 31, 2022. Preferred stock has a par value of \$0.001 per share, and consists of the following:

- Series A Convertible, 85 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively.
- Series B Convertible, 4,026 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively.
- Series C Convertible, 3,506 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively.
- Series D Convertible, 3,000 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively.
- Series E Convertible, 5,000 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively.

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 3,500,000 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 1,579,678 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 2,250,000 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 3,000,000 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 6,000,000 shares of common stock for issuance 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 750,000 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, 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. For the nine months ended September 30, 2022, the Company sold 2.1 million shares for gross proceeds of \$7.2 million under the ATM Program at an average stock price of \$3.46 per share.

10. Leases

In August 2015, the Company entered into a sublease to lease approximately 3,950 square feet of office space in Boston, Massachusetts. The Company did not extend the sublease, which expired on December 31, 2022.

In October 2018, Pieris Pharmaceuticals GmbH entered into a new 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, provides an initial rental term of 12.5 years, and a rental area of approximately 105,000 square feet.

Monthly base rent for the initial 105,000 square feet of the leased property, including parking spaces, totaled approximately \$0.2 million per month. In addition to the base rent, Pieris Pharmaceuticals GmbH was also responsible for certain administrative and operational costs in accordance with the Hallbergmoos Lease. Pieris Pharmaceuticals GmbH provided a security deposit of \$0.8 million as required by the Hallbergmoos Lease. The Company serves as a guarantor for the Hallbergmoos Lease.

The Hallbergmoos Lease included \$11.5 million of tenant improvements allowance for normal tenant improvements, for which construction began in March 2019. The Company capitalized the leasehold incentives which are included in property and equipment, net on the condensed consolidated balance sheet and are amortized on a straight-line basis over the shorter of the useful life or the remaining lease term. As part of the strategic review the Company is undertaking, along with the announced workforce restructuring, the Company is evaluating its options to exit the Hallbergmoos Lease. Included in the impairment charges recorded during the third quarter ended September 30, 2023, is a write-down of the entire amount of the leasehold improvement and an impairment of the right of use asset associated with the Hallbergmoos Lease of \$1.8 million.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating lease costs	\$ 280	\$ 314	\$ 862	\$ 943
Variable lease costs (1)	98	148	476	446
Total lease cost	<u>\$ 378</u>	<u>\$ 462</u>	<u>\$ 1,338</u>	<u>\$ 1,389</u>

(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.

The following table summarizes the weighted-average remaining lease term and discount rate:

	As of September 30, 2023
Weighted-average remaining lease term (years)	8.8
Weighted-average discount rate	10.5%

Cash paid for amounts included in the measurement of the lease liabilities were \$0.5 million for both the three months ended September 30, 2023 and 2022. Cash paid for amounts included in the measurement of the lease liabilities were \$1.6 million and for both the nine months ended September 30, 2023 and 2022.

As of September 30, 2023, the maturities of the Company's operating lease liabilities and future minimum lease payments were as follows (in thousands):

	Total
2023	\$ 522
2024	2,087
2025	2,087
2026	2,087
2027	2,087
Thereafter	9,565
Total undiscounted lease payments	18,435
Less: present value adjustment	(6,142)
Present value of lease liabilities	\$ 12,293

Not included in the above table are amounts to be paid for the Hallbergmoos Lease expansion that were expected to commence in October 2024 under the Hallbergmoos Lease. This amount is estimated to be \$3.9 million in aggregate for the period of October 2024 through the end of the lease term.

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, 2022, 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, 2022, filed with the SEC on March 31, 2023. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth under the caption "Risk Factors" in the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 as well as those included in this Quarterly Report on Form 10-Q.

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

We have registered trademarks for Pieris, Anticalin, and 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 clinical-stage biotechnology company that has focused on discovering and developing Anticalin-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 Servier, Seagen, and Boston Pharmaceuticals in immuno-oncology, or IO.

In July 2023, we announced our intention to explore, and we are still continuing to explore, engaging in one or more strategic transactions, such as an acquisition, company sale, merger, reverse merger, divestiture of assets, or other strategic transactions, as well as the potential for new or expanded partnerships to advance our therapeutic programs, cinrebafusp alfa (PRS-343). This decision was primarily related to recent events that impacted our inhaled respiratory franchise, including AstraZeneca's discontinuation of enrollment of the Phase 2a study for elarekibep. We have retained Stifel, Nicolaus & Company, Incorporated as our exclusive advisor to consider a range of strategic options. In July 2023, we also approved a reduction in our workforce by approximately 70%.

Discovery and Development Programs

We expect to continue to devote substantial time and resources to exploring strategic transactions that the board of directors believes will maximize stockholder value and have scaled back and may decide to further defer, limit, or discontinue all or a substantial portion of our research, development and clinical projects, and seek to further reduce our expenses. Our discovery and development programs are in varying stages and include:

- *Elarekibep*, our respiratory program which was partnered with AstraZeneca for the treatment of asthma, is a drug candidate that antagonizes IL-4R α , 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.
 - Elarekibep was tested in a phase 1 single-ascending dose study and data from that study were presented at the American Thoracic Society International Conference in May 2019 showing that elarekibep was well-tolerated when given as single inhaled or intravenous doses to healthy volunteers and there was systemic target engagement (as measured by pSTAT6 inhibition) following inhalation. Elarekibep was also tested in a phase 1 multiple-ascending dose study, and interim data from this study was presented at the European Respiratory Society International Congress in October 2019 and reported that elarekibep was well-tolerated at all doses, led to a statistically significant reduction in FeNO, a validated biomarker for eosinophilic airway inflammation, and showed dose-dependent systemic target engagement in patients with mild asthma and elevated levels of FeNO (≥ 35 ppb).
 - The phase 2a study was a two-part, multi-center, placebo-controlled clinical study of elarekibep that was designed to evaluate elarekibep at up to three dose levels using a dry powder formulation administered twice daily.

- In June 2023, AstraZeneca communicated to us its decision to discontinue and cease dosing in the ongoing 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 non-clinical safety findings in a 13-week toxicology study of elarekibep in non-human primates previously disclosed by us. We continue to review our strategic options with respect to elarekibep.
- PRS-220 is an orally inhaled Anticalin protein targeting connective tissue growth factor, or CTGF, that is 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 presented initial preclinical data for PRS-220 at the European Respiratory Society International Congress 2021 demonstrating a more potent and durable target engagement profile compared to a systemically delivered anti-CTGF antibody benchmark that was in clinical development for IPF until June 2023. Additionally, the targeting of CTGF locally in the lung showed increased attenuation of fibrotic lung remodeling *in vivo* compared to the systemically delivered antibody. This outcome correlates with superior lung tissue exposure of PRS-220 compared to that of the systemically administered antibody in head-to-head studies, where intratracheally administered PRS-220 efficiently penetrates the fibrotic, interstitial lung tissue of mice. In May 2023, preclinical data were presented at the American Thoracic Society (ATS) 2023 International Conference, including data demonstrating that inhaled PRS-220 significantly reduced collagen deposition in a silica-induced lung fibrosis mouse model.
 - We conducted a phase 1 study of PRS-220 in healthy volunteers in Australia. The study is 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. We expect to report the outcome of the study by the end of 2023.
- 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

- *Cinrebafusp alfa* is a bispecific Mabcalin compound comprising a HER2-targeting antibody genetically linked to 4-1BB-targeting Anticalin proteins. 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. In July 2023, we announced that we are focusing on exploring new or expanded partnerships and other alternatives to advance cinrebafusp alfa.
- *PRS-344/S095012* is a bispecific Mabcalin compound comprising a PD-L1-targeting antibody genetically linked to 4-1BB-targeting Anticalin proteins. PRS-344/S095012 is being developed by Servier on a worldwide basis.
 - The first patient in phase 1/2 study of PRS-344/S095012 was dosed in November 2021 and the study is being conducted in multiple countries, including the United States.
 - The first-in-human phase 1/2 multicenter open-label dose escalation study is designed to determine the safety and preliminary activity of PRS-344/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 PRS-344/S095012 in the U.S., which Servier will continue to advance. Servier retains exclusive, even as to us, worldwide rights to the program including the right to advance development and potential commercialization in the U.S. As a result of our election to opt out, we are entitled to increased royalty rates and potential royalties and milestones, if any, for PRS-344/S095012.
- Our IO portfolio also includes additional drug candidates beyond PRS-344/S095012 that are multi-specific Anticalin-based fusion proteins designed to engage immunomodulatory targets, comprising a variety of multifunctional biotherapeutics. Other IO drug candidates are being developed as part of our collaborations with Seagen and Boston Pharmaceuticals.
 - We have already handed one of the programs in the Seagen collaboration, SGN-BB228 (also referenced as PRS-346), a CD228 x 4-1BB bispecific Mabcalin (antibody-Anticalin) fusion compound, over to Seagen, which is responsible for further advancement and funding of the asset. In January 2023, the first patient was dosed in a Seagen-sponsored phase 1 study of SGN-BB228, upon which we achieved a \$5.0 million milestone. Seagen 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. Seagen 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 Seagen alliance, and we believe the previous achievement of a key development milestone for this program validates our approach in IO bispecifics, complementing the encouraging clinical data seen with cinrebafusp alfa. We expect to transfer the second and third programs, which were initiated in the third quarter of 2021 and fourth quarter of 2022 respectively, to Seagen by the end of 2023, and retain a co-promotion option for one program in the Seagen collaboration in the United States.
 - PRS-342/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.

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, 2023 and 2022, we reported net loss of \$10.8 million and \$9.7 million, respectively. As of September 30, 2023, we had an accumulated deficit of \$310.4 million. We expect to continue incurring substantial losses as we devote substantial time and resources into exploring strategic transactions. Our operating expenses are comprised of research and development expenses and general and administrative expenses.

We have not generated any revenues from product sales to date and we do not expect to generate revenues from product sales for the foreseeable future. Our revenues for the three and nine months ended September 30, 2023 and 2022 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)”. 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.

Strategic Update and Reduction in Force

On July 18, 2023, we announced our intention to explore strategic transactions, including mergers, reverse mergers, acquisitions, and other business combinations or sales of assets, among others. As part of this initiative, we engaged Stifel, Nicolaus & Company, Incorporated to serve as strategic advisor in our review of strategic transactions. We continue to explore various potential strategic transactions.

Also on July 18, 2023, our board of directors approved a reduction in our workforce by approximately 70%. We incurred approximately \$6.8 million of costs in connection with the severance pay and other termination benefits in the third quarter of 2023 related to the reduction in workforce, inclusive of severance pay and related costs for currently retained employees estimated to be paid through the second quarter of 2024.

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 primarily from the license and collaboration agreements with our partners.

The revenues from our partners 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. We have historically incurred substantial expenses in developing our clinical and preclinical drug candidates and programs, and currently expect to incur reduced expenses in the near term as a result of our decision to scale back our research, development and clinical projects, including stopping future investments in PRS-220 phase 2a readiness activities and research and development activities for PRS-400, and opting out of co-development of PRS-344/S095012 in the U.S. We are unable, with any certainty, to estimate either the costs or the timelines in which those expenses will be incurred. Our current development plans focus on our proprietary IO program, cinrebafusp alfa (PRS-343) and considering strategic alternatives to continue to advance it through the clinic.

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

- internal recurring costs, such as personnel-related costs (salaries, employee benefits, equity compensation and other costs), materials and supplies, facilities and maintenance costs attributable to research and development functions; and
- fees paid to external parties who provide us with contract services, such as preclinical testing, manufacturing and related testing and clinical trial activities.

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.

Workforce Reduction and Other Restructuring Costs

Workforce reduction and other restructuring costs consist of severance, employee termination, retention, and other related costs. We anticipate that such costs may increase in the future as we continue our comprehensive review of strategic transactions focused on maximizing stockholder value.

Results of Operations

Comparison of the three and nine months ended September 30, 2023 and 2022

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues	\$ 19,520	\$ 5,370	\$ 41,511	\$ 20,056
Research and development expenses	9,595	13,589	37,347	39,602
General and administrative expenses	6,839	3,949	14,526	12,409
Asset impairment	14,893	—	14,893	—
Total operating expenses	31,327	17,538	66,766	52,011
Other (expense) income				
Interest income	549	241	1,396	370
Grant income	—	1,468	3,612	4,782
Other (expense) income	506	723	288	1,628
Net income (loss)	\$ (10,752)	\$ (9,736)	\$ (19,959)	\$ (25,175)

Revenues

The following table provides a comparison of revenue for the three months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Increase/(Decrease)
	2023	2022	
Customer revenue	\$ 15,569	\$ 5,112	\$ 10,457
Collaboration revenue	3,951	258	3,693
Total Revenue	\$ 19,520	\$ 5,370	14,150

- The \$10.5 million increase in customer revenue in the three months ended September 30, 2023 compared to the three months ended September 30, 2022 is primarily due to event-driven revenue recognized due to the Seagen collaboration amendment driving acceleration of program handover (\$9.0 million), revenue recognized due to the termination of the AstraZeneca agreement (\$3.5 million), and the milestone achieved for the Phase 1/2 first patient dose under the Boston Pharmaceuticals collaboration (\$2.5 million), offset partially by event-driven acceleration of revenue in the prior comparable period related to a performance obligation for the license of an early-stage program under the AstraZeneca collaboration that ceased with the discontinuation of this program (\$5.0 million).
- The \$3.7 million increase in collaboration revenues in the three months ended September 30, 2023 compared to the three months ended September 30, 2022 is due to event-driven revenue recognized upon the opt-out co-development for PRS-344 (\$4.7 million), offset partially by increased Servier efforts and expenses for PRS-344/S095012 that offsets our portion of revenue for activities managed by us under the Servier collaboration.

The following table provides a comparison of revenues for the nine months ended September 30, 2023 and 2022 (in thousands):

	Nine Months Ended September 30,		Increase/(Decrease)
	2023	2022	
Customer revenue	\$ 37,665	\$ 19,760	\$ 17,905
Collaboration revenue	3,846	296	3,550
Total Revenue	\$ 41,511	\$ 20,056	21,455

- The \$17.9 million increase in customer revenue in the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 is primarily due to event-driven revenue recognized for the discontinuation of programs or termination of agreements under both the Genentech (\$12.5 million) and the AstraZeneca (\$7.4 million) agreements, revenue recognized due to the Seagen collaboration amendment driving acceleration of program handover (\$9.0 million) and milestone achieved for the Phase 1/2 first patient dose under the Boston Pharmaceuticals collaboration (\$2.5 million) in the current year. These increases were partially offset by event-driven revenue recognized in the prior year for the discontinuation of two early-stage programs under the AstraZeneca collaboration (\$9.2 million), completion of the performance obligation related to the material right for PRS-352 (\$4.9 million) and completion of the performance obligation related to the expiration of the target swap for the second program under the Seagen collaboration (\$1.5 million).
- The \$3.6 million increase in collaboration revenues in the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 is due to event-driven revenue recognized upon the opt-out co-development for PRS-344 (\$4.6 million), offset partially by increased Servier efforts and expenses for PRS-344/S095012 that offsets our portion of revenue for activities managed by us under the Servier collaboration.

Research and Development Expenses

The following table provides a comparison of the research and development expenses for the three months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Increase/(Decrease)
	2023	2022	
Respiratory	\$ 442	\$ 2,976	\$ (2,534)
Immuno-oncology	1,125	4,183	(3,058)
Other R&D activities	8,028	6,430	1,598
Total	\$ 9,595	\$ 13,589	(3,994)

- The \$2.5 million decrease in our respiratory programs for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 is due primarily to lower manufacturing and pre-clinical costs for PRS-220 and lower pre-clinical costs for a partnered discovery-stage program, offset slightly by higher manufacturing and pre-clinical costs for PRS-400.

- The \$3.1 million decrease in our immuno-oncology programs for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 is due primarily to decreases in manufacturing and clinical costs for both cinrebafusp alfa and PRS-344/S095012.
- The \$1.6 million increase in other research and development activities expenses for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 is driven by higher severance costs recorded in the current period, offset slightly by lower general clinical costs and lower lab supply and consumables costs.

The following table provides a comparison of the research and development expenses for the nine months ended September 30, 2023 and 2022 (in thousands):

	Nine Months Ended September 30,		Increase/(Decrease)
	2023	2022	
Respiratory	\$ 11,330	\$ 7,109	\$ 4,221
Immuno-oncology	5,710	11,632	(5,922)
Other R&D activities	20,307	20,861	(554)
Total	<u>\$ 37,347</u>	<u>\$ 39,602</u>	<u>(2,255)</u>

- The \$4.2 million increase in our respiratory programs for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 is due primarily to higher clinical and manufacturing costs for PRS-220, higher manufacturing and pre-clinical costs for PRS-400 and higher pre-clinical costs for a partnered discovery-stage program, offset slightly by lower preclinical costs for PRS-220 and lower manufacturing costs related to a discovery-stage proprietary asset.
- The \$5.9 million decrease in our IO programs for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 is due primarily to a decrease in clinical and manufacturing costs for both cinrebafusp alfa and PRS-344/S095012.
- The \$0.6 million decrease in other research and development activities expenses for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 is driven by lower lab supply and consumables costs and lower travel expenses, offset partially by higher severance costs recorded in the current period

General and Administrative Expenses

General and administrative expenses were \$6.8 million for the three months ended September 30, 2023 and \$3.9 million for the three months ended September 30, 2022. The period-over-period increase was driven primarily by higher severance costs recorded in the current period offset partially by lower professional services costs and lower travel costs.

General and administrative expenses were \$14.5 million for the nine months ended September 30, 2023 and \$12.4 million for the nine months ended September 30, 2022. The period-over-period increase was driven primarily by higher severance costs recorded in the current period, offset partially by lower professional services costs, travel expenses, and insurance costs.

Asset Impairment

During 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. As a result of this decision, the Company incurred impairment expenses totaling \$14.9 million, of which \$1.8 million related to impairment of its right-of-use asset under the Hallbergmoos Lease, for which the Company is evaluating its options to exit this lease.

Other Income (Expense)

Our other income was \$1.1 million for the three months ended September 30, 2023 and \$2.4 million for the three months ended September 30, 2022. Our other income was \$5.3 million for the nine months ended September 30, 2023 and \$6.8 million for the nine months ended September 30, 2022. Decrease in both comparable periods were primarily due to lower grant income as well as unrealized gains in both periods, but lower in the current period due to an overall weakening U.S. dollar on a year to date basis as compared to the prior comparable period.

Liquidity and Capital Resources

We are subject to risks common to companies in the biotechnology industry, including but not limited to, the need for additional capital, risks of failure of preclinical studies and clinical trials, the need to obtain marketing approval and reimbursement for any drug product candidate that we may identify and develop, the need to successfully commercialize and gain market acceptance of our product candidates, dependence on key personnel, protection of proprietary technology, compliance with government regulations, development of technological innovations by competitors, reliance on third-party manufacturers and the ability to transition from pilot-scale production to large-scale manufacturing of products.

In July 2023, we announced our intention to explore engaging in one or more strategic transactions, such as an acquisition, company sale, merger, reverse merger, divestiture of assets, or other strategic transactions, as well as the potential for new or expanded partnerships to advance our therapeutic programs, such as cinrebafusp alfa (PRS-343). This decision was primarily related to recent events that have impacted our inhaled respiratory franchise, including AstraZeneca's discontinuation of enrollment of the Phase 2a study for elarekebep. We have retained Stifel, Nicolaus & Company, Incorporated as our exclusive advisor to consider a range of strategic options. In July 2023, we also approved a reduction in our workforce by approximately 70%. We continue to explore various potential strategic transactions, such as mergers, reverse mergers, company sale, divestiture of assets, and partnering of cinrebafusp alfa.

Through September 30, 2023, 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, 2023, we had a total of \$44.8 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 \$310.4 million as of September 30, 2023.

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. Going forward, we will devote substantial time and effort into identifying and executing one or more strategic transactions.

We have a few research and development programs underway in varying stages of development, and we expect they will continue to require cash for development, conducting clinical trials and testing and manufacturing of product material. We expect cash necessary to fund operations will continue to decrease significantly in the near term as we continue to focus on exploring potential strategic transactions, have conducted workforce reductions, and continue to limit our research, development and clinical projects, including opting out of co-development of PRS-344/S095012 in the U.S., and stopping future investments in both PRS-220 phase 2a readiness activities and research and development activities for PRS-400. These investments could be reevaluated in the future if we are successfully able to consummate one or more strategic transactions or collaborations, licensing arrangements, or public or private equity financings.

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

	Nine Months Ended September 30,	
	2023	2022
Net cash used in operating activities	\$ (34,150)	\$ (46,999)
Net cash provided by (used in) investing activities	8,553	(22,343)
Net cash provided by financing activities	19,781	7,121

Net cash used in operating activities for the nine months ended September 30, 2023 was \$34.2 million compared to net cash used in operating activities of \$47.0 million for the nine months ended September 30, 2022. Net cash used in operations in the current period is impacted by lower deferred revenue, primarily driven by higher revenue recognized across all of our collaborations, lower accounts payable, and higher prepaid expenses. These changes are offset partially by higher accrued expenses and lower accounts receivable. This compares to the impact of lower deferred revenue, primarily driven by higher revenue recognized for our AstraZeneca, Servier and Seagen collaborations out of the deferred balance, lower accounts payable and accrued expenses and higher prepaid expenses, offset partially by lower accounts receivables in the prior period.

Net cash provided by investing activities for the nine months ended September 30, 2023 was \$8.6 million as compared to net cash used in investing activities of \$22.3 million for the same period in 2022. The change in net cash used is solely attributable to the impact of net investments changes (more maturities in the current period versus more purchases of investments in the comparable prior year period).

Net cash provided by financing activities for the nine months ended September 30, 2023 was \$19.8 million as compared to \$7.1 million for the same period in 2022. The increase in net cash provided by financing activities is due to an increase in sales under the ATM program.

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, 2023, we 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.

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. Going forward, we plan to continue to devote substantial time and effort into identifying and executing one or more potential strategic transactions. We have a few research and development programs underway in varying stages of development, and we expect they will continue to require cash for development, conducting clinical trials and testing and manufacturing of product material. We expect cash necessary to fund operations will continue to decrease significantly in the near term as we explore potential strategic transactions, have conducted workforce reductions, and limit our research, development and clinical projects, including opting out of co-development of PRS-344/S095102 in the U.S., and stopping future investments in both PRS-220 phase 2a readiness activities and research and development activities for PRS-400.

Pending the outcome of our review of strategic transactions, including if we decide to continue to advance the clinical development of our product candidates, we expect to incur additional costs in connection with such strategic transaction activities. The timing and amount of such operating expenditures will depend largely on:

- the outcome, success, timing and cost of any partnerships or other strategic transactions, business combinations or divestiture;
- the scope, rate of progress, results and cost of our clinical studies, preclinical testing and other related activities;
- the cost of manufacturing clinical supplies, and establishing commercial supplies, of our drug candidates and any products that we may develop;
- the number and characteristics of drug candidates that we pursue;
- the cost, timing and outcomes of regulatory approvals;
- the cost and timing of establishing sales, marketing and distribution capabilities;
- the terms and timing of any collaborative, licensing and other arrangements that we may establish;
- the timing, receipt and amount of sales, profit sharing or royalties, if any, from our potential products;
- the cost of preparing, filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the extent to which we acquire or invest in businesses, products or technologies, although we currently have no commitments or agreements to engage in any of these types of transactions beyond our existing collaborations; and
- the effects of the COVID-19 pandemic and the cost and timing of actions taken to contain it.

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. As part of our decision to explore strategic transactions, as discussed above, we have implemented a plan to reduce discretionary expenditures and other fixed or variable personnel costs and to limit a substantial portion of our research, development and clinical projects, including opting out of co-development of PRS-344/S095012 in the U.S., stopping future investments in both PRS-220 phase 2a readiness activities and research and development activities for PRS-400. These investments could be reevaluated in the future if we are successfully able to consummate public or private equity financings, strategic collaborations and transactions or licensing arrangements. Furthermore, we expect to continue to devote substantial time and resources to exploring strategic transactions that our board of directors believes will maximize shareholder value. Despite devoting substantial efforts to identify and evaluate potential strategic transactions, there can be no assurance that this strategic review process will result in us pursuing any transaction or that any transaction, if pursued, will be completed on favorable terms or at all. We have not set a definitive timetable for completion of this strategic review process, and the board of directors has not approved a definitive course of action. Additionally, there can be no assurances that any particular course of action, business arrangement, or transaction, or series of transactions, will be pursued, successfully consummated, or lead to any increase stockholder value. 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 existing 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, 2022 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, 2022.

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 without limitation exemption from the requirement to provide a compensation discussion and analysis describing compensation practices and procedures.
- An opportunity for reduced financial statement disclosure in registration statements, which must include two years of audited financial statements rather than the three years of audited financial statements that are required for other public reporting companies.
- 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.
- An opportunity to continue utilizing 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, 2023.

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, 2023 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, 2022, filed with the SEC on March 31, 2023, or the 2022 Annual Report, 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. In addition, we are supplementing the risk factors previously disclosed in the 2022 Annual Report as follows:

We may not be successful in identifying and implementing any partnerships or other strategic transactions and any strategic transactions that we may consummate in the future could have negative consequences.

In July 2023, we announced our intention to explore engaging in one or more strategic transactions, such as an acquisition, company sale, merger, reverse merger, divestiture of assets, licensing, or other strategic transactions, and the potential for new or expanded partnerships to advance our therapeutic programs, including cinrebafusp alfa (PRS-343). We continue to explore the various potential strategic transactions. This decision was primarily related to recent events that have impacted our inhaled respiratory franchise, including AstraZeneca's discontinuation of enrollment of the Phase 2a study for elarekibep. We have retained Stifel, Nicolaus & Company, Incorporated as our exclusive advisor to consider a range of strategic options. We expect to continue to devote substantial time and resources to exploring strategic transactions that our board of directors believes will maximize stockholder value. Despite devoting significant efforts to identify and evaluate potential strategic transactions, there can be no assurance that this strategic review process will result in us pursuing any transaction or that any transaction, if pursued, will be completed on attractive terms or at all. We have not set a definitive timetable for completion of this strategic review process, and our board of directors has not approved a definitive course of action. Additionally, there can be no assurances that any particular course of action, business arrangement or transaction, or series of transactions, will be pursued, successfully consummated or lead to increased stockholder value.

The process of continuing to evaluate these strategic options may be very costly, time-consuming and complex and we have incurred, and may in the future incur, significant costs related to this continued evaluation, such as legal and accounting fees and expenses and other related charges. We may also incur additional unanticipated expenses in connection with this process. A considerable portion of these costs will be incurred regardless of whether any such course of action is implemented or transaction is completed. Any such expenses will decrease the remaining cash available for use in our business.

In addition, potential counterparties in a strategic transaction involving our company may place minimal or no value on our assets and our public listing. Further, the development and any potential commercialization of our product candidates will require substantial additional cash to fund the costs associated with conducting the necessary preclinical and clinical testing and obtaining regulatory approval. Consequently, any potential counterparty in a strategic transaction involving our company may choose not to spend additional resources and continue development of our product candidates and may attribute little or no value, in such a transaction, to those product candidates. We may also not be able to adequately limit or avoid future liabilities, including future costs relating to the lease on our headquarters, which may impair the value of any potential transaction or present additional challenges to completing a strategic transaction. Furthermore, to the extent we have received grant funding, such as the Bavarian grant, for our development programs, and we partner such programs or undergo a change in control or other event that impacts the continuation of such program, the grant maker may require us to return some or all of the grant amount.

In addition, any strategic business combination or other transactions that we may consummate in the future could have a variety of negative consequences and we may implement a course of action or consummate a transaction that yields unexpected results that adversely affects our business and decreases the remaining cash available for use in our business or the execution of our strategic plan. Any potential transaction would be dependent on a number of factors that may be beyond our control, including, among other things, market conditions, industry trends, the interest of third parties in a potential transaction with us, maintaining our Nasdaq listing, obtaining stockholder approval and the availability of financing to third parties in a potential transaction with us on reasonable terms. Any failure of such potential transaction to achieve the anticipated results could significantly impair our ability to enter into any future strategic transactions.

If we are not successful in setting forth a new strategic path for the Company, or if our plans are not executed in a timely fashion, this may cause reputational harm with our stockholders and the value of our securities may be adversely impacted. In addition, speculation regarding any developments related to the review of strategic transactions and perceived uncertainties related to the future of the Company could cause our stock price to fluctuate significantly.

Even if we successfully consummate any transaction from our strategic assessment, including, but not limited to, any partnership, acquisition, merger, business combination and/or divestiture, we may fail to realize all of the anticipated benefits of the transaction, those benefits may take longer to realize than expected, or we may encounter integration difficulties.

Our ability to realize the anticipated benefits of any potential business combination or any other result from our strategic assessment, are highly uncertain. Any anticipated benefits will depend on a number of factors, including our ability to integrate with any future business partner, our ability to obtain value for our existing programs, if divested, and our ability to generate future shareholder value from existing programs we may continue to pursue. The process may be disruptive to our business and the expected benefits may not be achieved within the anticipated time frame, or at all. The failure to meet the challenges involved and to realize the anticipated benefits of any potential transaction could adversely affect our business and financial condition.

If we are successful in completing a strategic transaction, we may be exposed to other operational and financial risks.

Although there can be no assurance that a strategic transaction will result from the process we have undertaken to identify and evaluate strategic transactions, the negotiation and consummation of any such transaction will require significant time on the part of our management, and the diversion of management's attention may disrupt our business.

The negotiation and consummation of any such transaction may also require more time or greater cash resources than we anticipate and expose us to other operational and financial risks, including:

- increased near-term and long-term expenditures;
- exposure to unknown liabilities;
- higher than expected acquisition or integration costs;
- incurrence of substantial debt or dilutive issuances of equity securities to fund future operations;
- write-downs of assets or goodwill or incurrence of non-recurring, impairment or other charges;
- increased amortization expenses;
- difficulty and cost in combining the operations and personnel of any acquired business with our operations and personnel;
- impairment of relationships with key suppliers or customers of any acquired business due to changes in management and ownership;
- inability to retain key employees of our company or any acquired business; and
- possibility of future litigation.

Any of the foregoing risks could have a material adverse effect on our business, financial condition and prospects.

If a strategic transaction is not consummated, our board of directors may decide to pursue a dissolution and liquidation. In such an event, the amount of cash available for distribution to our stockholders will depend heavily on the timing of such liquidation as well as the amount of cash that will need to be reserved for commitments and contingent liabilities.

There can be no assurance that a strategic transaction will be completed. If a strategic transaction is not completed, our board of directors may decide to pursue a dissolution and liquidation. In such an event, the amount of cash available for distribution to our stockholders will depend heavily on the timing of such decision and, with the passage of time the amount of cash available for distribution will be reduced as we continue to fund our operations. In addition, if our board of directors were to approve and recommend, and our stockholders were to approve, a dissolution and liquidation, we would be required under Nevada corporate law to pay our outstanding debts and other obligations prior to making any distributions in liquidation to our stockholders. As a result of this requirement, a portion of our assets may need to be reserved pending the resolution of such obligations and the timing of any such resolution is uncertain. In addition, we may be subject to litigation or other claims related to a dissolution and liquidation. If a dissolution and liquidation were pursued, our board of directors, in consultation with our advisors, would need to evaluate these matters and make a determination about a reasonable amount to reserve. Accordingly, holders of our common stock could lose all or a significant portion of their investment in the event of a liquidation, dissolution or winding up.

Our ability to consummate a strategic transaction depends on our ability to retain our employees required to consummate such transaction.

Our ability to consummate a strategic transaction depends upon our ability to retain our employees required to consummate such a transaction, the loss of whose services may adversely impact the ability to consummate such transaction. In connection with the evaluation of strategic transactions and in order to extend our resources, in July 2023, we implemented a restructuring plan that included reducing our workforce by approximately 70%. There can be no assurance that our restructuring will achieve the cost savings, capital preservation or other benefits that we may initially expect. Restructuring activities may also result in a loss of continuity, accumulated knowledge and inefficiency during transitional periods and thereafter. In addition, our cash conservation activities may yield unintended consequences, such as attrition beyond our planned reduction in workforce and reduced employee morale, which may cause remaining employees to seek alternative employment. Our ability to successfully complete a strategic transaction depends in large part on our ability to retain certain of our remaining personnel. If we are unable to successfully retain our remaining personnel, we are at risk of a disruption to our exploration and consummation of a strategic alternative as well as business operations.

We may become involved in litigation, including securities class action litigation, that could divert management's attention and harm the company's business, and insurance coverage may not be sufficient to cover all costs and damages.

In the past, litigation, including securities class action litigation, has often followed certain significant business transactions, such as the sale of a company or announcement of any other strategic transaction, or the announcement of negative events, such as negative results from clinical trials. These events may also result in investigations by the SEC. We may be exposed to such litigation even if no wrongdoing occurred. Litigation is usually expensive and diverts management's attention and resources, which could adversely affect our business and cash resources and our ability to consummate a potential strategic transaction or the ultimate value our stockholders receive in any such transaction.

Our shares of common stock could be delisted from the Nasdaq Capital Market, which could result in, among other things, a decline in the price of our common stock and less liquidity for holders of shares of our common stock.

Our common stock is listed on The Nasdaq Capital Market, or Nasdaq, which imposes, among other requirements, a minimum \$1.00 per share bid price requirement for continued inclusion on the Nasdaq pursuant to Nasdaq Listing Rule 5550(a)(2) (the "Bid Price Requirement"). The closing bid price for our common stock must remain at or above \$1.00 per share to comply with the Bid Price Requirement for continued listing. As previously disclosed, on May 15, 2023, we received a deficiency letter (the "Notice") from the Nasdaq Listing Qualifications Department (the "Staff") notifying us that because the closing bid price of our common stock had fallen below \$1.00 per share for 30 consecutive business days, we no longer met the Bid Price Requirement.

Pursuant to Nasdaq Listing Rule 5810(c)(3)(A) (the "Compliance Period Rule"), we have an initial period of 180 calendar days, or until November 13, 2023, (the "Compliance Date") to regain compliance with the Bid Price Requirement. To regain compliance, the closing bid price of our common stock must meet or exceed \$1.00 per share for a minimum of 10 consecutive business days as required under the Compliance Period Rule (unless the Staff exercises its discretion to extend this ten-day period pursuant to Nasdaq Listing Rule 5810(c)(3)(H)). However, if during the compliance period our common stock has a closing bid price of \$0.10 or less for 10 consecutive trading days, Nasdaq will issue a Staff Delisting Determination with the potential opportunity for us to appeal that determination.

Since the closing bid price of our common stock has not met or exceeded \$1.00 per share for a minimum of 10 consecutive business days prior to the Compliance Date, we requested an additional 180 calendar day compliance period on November 6, 2023 in which to regain compliance, in which we provided written notice to Nasdaq of our intention to cure the deficiency during the second compliance period, by effecting a reverse stock split, if necessary. On November 14, 2023, we received a second notice from Nasdaq providing us with the additional 180 calendar days to regain compliance.

If the Staff concludes that we will not be able to cure the deficiency, or if we do not regain compliance with the Bid Price Requirement within such additional 180 calendar day compliance period, the Staff will provide written notification to us that our common stock will be subject to delisting. At that time, we may appeal the Staff's delisting determination to a Nasdaq Listing Qualifications Panel (the "Panel"). However, there can be no assurance that, if we receive a delisting notice and appeal the delisting determination by the Staff to the Panel, such appeal would be successful.

Additionally, delisting from Nasdaq could make trading our common stock more difficult for investors, potentially leading to further declines in our share price and liquidity. Delisting could also have a materially adverse effect on our ability to complete a strategic transaction or raise additional funds. If our common stock is delisted by Nasdaq, our common stock may be eligible to trade on an over-the-counter quotation system, where an investor may find it more difficult to sell our stock or obtain accurate quotations as to the market value of our common stock. We cannot assure you that our common stock, if delisted from Nasdaq, will be listed on another national securities exchange or quoted on an over-the counter quotation system.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.**Second Notice from Nasdaq Providing Additional 180-Day Compliance Period**

As previously disclosed on a Current Report on Form 8-K filed on May 19, 2023, we received a written notice on May 15, 2023 from the Listing Qualifications Department (the “Staff”) of the Nasdaq Stock Market LLC (“Nasdaq”) informing us that, because the closing bid price of the Company’s common stock had fallen below \$1.00 per share for 30 consecutive business days, we no longer meet the minimum bid price requirement for continued inclusion on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2) (the “Bid Price Requirement”). In accordance with its Listing Rules, Nasdaq provided us an initial period of 180 calendar days, or until November 13, 2023 (the “First Compliance Period”), to regain compliance with the Bid Price Requirement. To regain compliance, the closing bid price of the Company’s common stock must meet or exceed \$1.00 per share for a minimum of 10 consecutive business days during the First Compliance Period. The Company’s common stock has not regained compliance with the Bid Price Requirement as of November 13, 2023. On November 6, 2023, we requested an extension of an additional 180 days in which to regain compliance with the Bid Price Requirement.

On November 14, 2023, we received a written notice from Nasdaq (the “Second Notice”) indicating that, while we have not regained compliance with the Bid Price Requirement, the Staff has determined that we are eligible for an additional 180 calendar day period, or until May 13, 2024 (the “Second Compliance Period”), to regain compliance with the Bid Price Requirement. According to the Second Notice, the Staff’s determination was based on (i) the Company meeting the continued listing requirement for market value of its publicly held shares and all other Nasdaq initial listing standards, with the exception of the Bid Price Requirement, and (ii) our written notice to Nasdaq of our intention to cure the deficiency during the Second Compliance Period by effecting a reverse stock split, if necessary. If at any time during the Second Compliance Period, the closing bid price of the Company’s common stock is at least \$1.00 per share for a minimum of 10 consecutive business days, Nasdaq will provide us with written confirmation of compliance. If compliance cannot be demonstrated by May 13, 2024, Nasdaq will provide written notification that the Company’s common stock will be delisted. At that time, we may appeal Nasdaq’s determination to a Hearings Panel. We can give no assurance that we will regain or demonstrate compliance by May 13, 2024, or that if we receive a delisting notice and appeals the delisting determination by the Staff to the Hearing Panel, such appeal would be successful.

Transaction Committee Compensation

As previously disclosed, on July 18, 2023, we announced our 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. Our board of directors appointed a transaction committee of the board of directors to help facilitate the board’s consideration of such potential strategic transactions, which initially consists of our directors James Geraghty, Christopher Kiritsy, and Peter Kiener. Each member of the transaction committee is compensated for their service on the committee with an annual fee of \$10,000 paid quarterly in arrears following the end of each fiscal quarter, provided that the amount of such payment will be prorated for any portion of such quarter that such director was not serving as a member of the transaction committee.

Item 6. Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference herein from Form or Schedule	Filing Date	SEC File / Registration Number
10.1	Separation Agreement by and between the Registrant and Hitto Kaufmann, Ph.D., dated as of July 26, 2023.	#*		
10.2	Consulting Agreement by and between the Registrant and Ahmed Mousa, dated as of September 11, 2023.	#*		
10.3	Amendment No. 1, dated September 12, 2023, to the Amended and Restated License and Collaboration Agreement by and between the Registrant and Seagen Inc.	*+		
31.1	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.	*		

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](#)

Exhibit Number	Exhibit Description	Incorporated by Reference herein from Form or Schedule	Filing Date	SEC File / Registration Number
32.1	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.	**		
32.2	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.			
+	Portions of the exhibit are omitted pursuant to Regulation S-K Item 601(b)(10)(iv). Copies of the unredacted exhibit will be furnished to the SEC upon request.			

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 14, 2023

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

November 14, 2023

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

<p style="text-align: center;">Aufhebungsvertrag</p> <p style="text-align: center;">zwischen</p> <p>Pieris Pharmaceuticals GmbH, Zeppelinstraße 3, 85399 Hallbergmoos</p> <p style="text-align: center;">- nachfolgend die „Gesellschaft“ -</p> <p style="text-align: center;">und</p> <p>Dr. Hitto Kaufmann, [***]</p> <p style="text-align: center;">-nachfolgend der „Geschäftsführer“ -</p>	<p style="text-align: center;">Separation Agreement</p> <p style="text-align: center;">between</p> <p>Pieris Pharmaceuticals GmbH, Zeppelinstraße 3, 85399 Hallbergmoos</p> <p style="text-align: center;">- hereinafter the “Company” -</p> <p style="text-align: center;">and</p> <p>Dr. Hitto Kaufmann, [***]</p> <p style="text-align: center;">- hereinafter the “Managing Director” -</p>
<p>- Gesellschaft und Geschäftsführer nachfolgend auch die „Parteien“, jeder gesondert auch die „Partei“ -</p>	<p>- Company and Managing Director collectively hereinafter the “Parties“, each of them also as the “Party” -</p>
<p><u>Präambel</u></p> <p>Der Geschäftsführer ist auf Grundlage des Anstellungsvertrags vom 23. Februar 2019 bei der Gesellschaft mit dem Titel „Senior Vice President, Chief Scientific Officer (CSO)“ angestellt (nachfolgend einschließlich sämtlicher etwaiger Zusatz- und Ergänzungsvereinbarungen zusammen der „Geschäftsführer Dienstvertrag“). Der Geschäftsführer wurde durch Beschluss der Gesellschafterversammlung vom 19. Februar 2019 mit Wirkung zum 31. August 2019 zum Geschäftsführer der Gesellschaft bestellt.</p> <p>Der Geschäftsführer hat sein Amt als Geschäftsführer mit dem hier beigefügten Niederlegungsschreiben niedergelegt. Die Parteien beabsichtigen, das zwischen ihnen bestehende Anstellungsverhältnis einvernehmlich unter Beachtung der zu Grunde zu legenden Kündigungsfrist zu beenden.</p> <p>Dies vorausgeschickt, vereinbaren die Parteien was folgt:</p>	<p><u>Preamble</u></p> <p>The Managing Director is employed by the Company with the title "Senior Vice President, Chief Scientific Officer (CSO)" on the basis of the managing director service agreement dated February 23, 2019 (including all possible additional agreements and amendment agreements collectively hereinafter the “Managing Director Service Agreement”). The Managing Director was appointed as Managing Director of the Company by resolution of the Shareholders' Meeting on February 19, 2019, effective August 31, 2019.</p> <p>The Managing Director has resigned from his office as managing director by way of the resignation letter attached hereto. The Parties intend to terminate the managing director service relationship existing between them by mutual agreement in compliance with the applicable notice period.</p> <p>Therefore, the Parties agree as follows:</p>

<p style="text-align: center;">§ 1 Beendigung des Anstellungsverhältnisses</p>	<p style="text-align: center;">Sec. 1 Termination of Service Relationship</p>
<p>1. Die Parteien sind sich darüber einig, dass das Anstellungsverhältnis der Parteien einvernehmlich mit Ablauf des 31. Oktober 2023 (nachfolgend der „Beendigungstermin“) sein Ende findet.</p>	<p>1. The Parties agree that the employment relationship shall amicably end effective October 31, 2023 (hereinafter the “Termination Date”).</p>
<p>2. Bis zum Beendigungstermin wird das Anstellungsverhältnis ordnungsgemäß abgerechnet. Die Gesellschaft ist verpflichtet, dem Geschäftsführer bis dahin sein monatliches Festgehalt in Höhe von EUR 27.192,00 (in Worten: Euro siebenundzwanzig tausend einhundertzweiundneunzig) brutto zu zahlen. Darüber hinaus wird die Gesellschaft bis zum Beendigungstermin die Beiträge zur betrieblichen Altersversorgung gemäß § 4a des Geschäftsführer Dienstvertrags entsprechend der bisherigen Handhabung entrichten.</p>	<p>2. Until Termination Date, the service relationship will be duly settled. The Company shall pay the Managing Director his monthly gross fixed salary in the amount of EUR 27.192,00 (in words: Euro twenty-seven thousand and one-hundred ninety-two). In addition, the Company will pay the contributions to the company pension scheme pursuant to § 4a of the Managing Director Service Agreement until Termination Date in accordance with previous practice.</p>
<p>3. Aus Anlass der Beendigung des zwischen den Parteien bestehenden Anstellungsverhältnisses erhält der Geschäftsführer in entsprechender Anwendung der §§ 9, 10 KSchG eine mit der letzten Gehaltsabrechnung fällige Abfindung in Höhe von EUR 135.960,00 (in Worten: Euro Einhundertfünfunddreissigtausend neunhundert und sechzig) brutto, abzugsfrei in den gesetzlichen Grenzen.</p>	<p>3. Due to the termination of the service relationship existing between the Parties, the Managing Director shall be granted a severance payment in application mutatis mutandis of Sec. 9, 10 of the German Employment Protection Act in the amount of EUR 135.960,00 (in words: Euro one-hundred-thirty-five-thousand and nine-hundred-sixty) gross, less applicable withholdings.</p>
<p>4. Weitere Vergütungsbestandteile sind über die in § 1 Abs. 2 und 3 geregelten Vergütungsbestandteile hinaus ausdrücklich nicht geschuldet. Insbesondere hat der Geschäftsführer keinen Anspruch auf eine variable Vergütung, Boni, Provisionen, Prämien oder Gratifikationen, weder für die Vergangenheit noch die Zukunft..</p>	<p>4. In addition to the components of the remuneration set forth in this Sec. 1 para. 2 and 3 no further compensation is owed. In particular, the Managing Director has no claims to variable remuneration, bonuses, commissions, awards or gratuities, neither for the past nor for the future.</p>

<p style="text-align: center;">§ 2 Freistellung</p>	<p style="text-align: center;">Sec. 2 Release from Work</p>
<p>1. Der Geschäftsführer wird ab dem 15. September 2023 bis zum Beendigungstermin unter Fortzahlung der Vergütung gemäß § 1 Abs. 2 sowie unter Anrechnung auf Urlaubsansprüche und etwaige sonstige Freizeitausgleichsansprüche unwiderruflich von der Verpflichtung zur Erbringung seiner Dienstleistung freigestellt. Der (Rest-)Urlaubsanspruch wird dabei zu Beginn der Freistellungsphase gewährt. Im Anschluss erfolgt die Freistellung unter Anrechnung auf mögliche positive Zeitguthaben. Urlaubsansprüche und etwaige Zeitguthaben sind damit erledigt. Im Anschluss an die Gewährung des Urlaubs und den Verbrauch etwaiger Zeitguthaben findet die Vorschrift des § 615 Satz 2 BGB Anwendung. Der Geschäftsführer ist daher verpflichtet, im Fall der Erzielung anderweitigen Erwerbs hierüber und über dessen Höhe der Gesellschaft unverzüglich Auskunft zu erteilen. Auf Verlangen sind die Angaben zu belegen.</p>	<p>1. From September 15, 2023, until Termination Date, the Managing Director shall be released irrevocably from his contractual duties upon payment of his contractual remuneration pursuant to Sec. 1 para. 2, however, while offsetting possibly existing entitlements to vacation and any other existing free time compensation claims. The (remaining) vacation entitlement is granted at the beginning of the release phase. Subsequently, the release from work is credited against possible positive time credits. Vacation entitlements and any time credits are therefore settled. Following the granting of vacation and the use of any time credits, the provision of Sec. 615 cl. 2 BGB applies. The Managing Director is therefore obliged to inform the Company immediately if he obtains other revenue and to inform the Company of the amount of such revenue. The information must be substantiated upon request.</p>
<p>2. Während der Zeit der Freistellung bleibt das Abwerbe- und Wettbewerbsverbot sowie die Verpflichtungen zur Ausübung einer Nebentätigkeit gemäß §§ 3 und 11 des Geschäftsführer Dienstvertrags bestehen. Einkünfte aus genehmigten Nebentätigkeiten werden nicht auf vereinbarte Zahlungen nach § 1 Abs. 2 und 3 dieser Vereinbarung angerechnet.</p>	<p>2. During the term of garden leave, the non-competition and non-solicitation covenant as well as the obligations to side-line activities pursuant to §§ 3 and 11 of the Managing Director Service Agreement shall continue to be in force. Income from approved sideline activities shall not offset against agreed payments in Sec. 1 para. 2 and 3 of this agreement.</p>

<p style="text-align: center;">§ 3 Rückgabeverpflichtung</p>	<p style="text-align: center;">Sec. 3 Obligation to return Property</p>
<p>1. Der Geschäftsführer verpflichtet sich, bis zu seiner Freistellung an die Gesellschaft an deren Betriebssitz und innerhalb der üblichen Betriebszeiten, jedoch nach vorheriger Terminabsprache mit Herrn [***], sämtliche ihm während der Dauer des Geschäftsführer Dienstvertrags und im Zusammenhang mit dem zwischen den Parteien bestehenden Anstellungsverhältnis übergebenen Gegenstände (z.B. Firmenkreditkarte, Handbücher, Schlüssel, elektronische Daten, Dokumente, etc.) herauszugeben. Hierzu zählen insbesondere auch sämtliche Unterlagen (insbesondere Skizzen, Korrespondenz, Vermerke, Notizen), die der Gesellschaft gehören oder die der Geschäftsführer von Dritten für die Gesellschaft erhalten hat und/oder die im Zusammenhang mit der Tätigkeit des Geschäftsführers für die Gesellschaft entstanden sind. Der Geschäftsführer verpflichtet sich, keine Kopien oder Abschriften der Unterlagen oder diesbezügliche elektronische Daten zu behalten. Auf Wunsch der Gesellschaft wird der Geschäftsführer die Vollständigkeit der Rückgabe schriftlich gegenüber der Gesellschaft versichern.</p> <p>Hiervon ausgenommen ist allerdings der dem Geschäftsführer zur Verfügung gestellte Laptop sowie das aktuell genutzte Mobiltelefon und iPad. Diese sind dem Arbeitgeber zunächst unverzüglich nach erfolgter Freistellung zur Löschung sämtlicher Daten mit dienstlicher Relevanz zurückzugeben. Anschließend werden diese dem Geschäftsführer zum Beendigungstermin wieder übergeben und ihm werden das Eigentum daran übertragen. Ein etwaiger geldwerter Vorteil ist von dem Geschäftsführer zu tragen. Ferner stimmt der Arbeitgeber der Mitnahme der Mobilfunknummer zu. Der Arbeitgeber wird die hierzu erforderlichen Erklärungen abgeben.</p>	<p>1. The Managing Director shall return to the Company until his release all items provided to him during the service relationship by the Company (for example company credit cards, manuals, keys, electronic data, documents, etc.) at the Company's place of business and during customary business hours, however, after prior scheduling of dates with Mr. [***]. This includes in particular all documents (especially drafts, correspondence, notes, memos) which belong to the Company or which the Managing Director has received from third parties for the Company and/or which have arisen in connection with the Managing Director's work for the Company. The Managing Director undertakes not to keep any copies or transcripts of the documents or electronic data relating thereto. Upon request of the Company, the Managing Director shall confirm in writing the completeness of the returned company property.</p> <p>However, this does not apply to the laptop, iPad, and mobile phone provided to the Managing Director. These must first be returned to the Managing Director immediately after the release from work so that the Company can delete all data relevant to the managing director relationship. On Termination Date, it shall then be returned to the Managing Director and become his property. Any pecuniary advantage shall be at the expense of the Managing Director. Furthermore, the Company agrees to the mobile phone number being taken along. The Company shall make the necessary declarations in this regard.</p>

<p>2. Der Geschäftsführer wird der Gesellschaft bis zu seiner Freistellung eine Aufstellung aller Passwörter, Schreischutzcodes 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. Until his release, the Managing Director will provide the Company with a list of all passwords, write-protection codes or similar access codes that he has used on the Company's PCs used by himself and will not make use of them thereafter.</p>
<p>3. Der Geschäftsführer ist verpflichtet, alle auf privat genutzten Computern gespeicherten Daten und Programme, die ihm im Hinblick auf seine Tätigkeit nach dem Geschäftsführer Dienstvertrag überlassen bzw. wegen dieser Tätigkeit gespeichert wurden, der Gesellschaft bis zu seiner Freistellung auf Datenträger kopiert zur Verfügung zu stellen und anschließend auf den betreffenden Computern unwiederbringlich zu löschen.</p>	<p>3. The Managing Director is obliged to provide the Company 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 Managing Director Service Agreement or which have been stored because of these activities, on data carriers until he is released from work and then to irretrievably delete them from the respective computers.</p>
<p>4. Dem Geschäftsführer steht kein Zurückbehaltungsrecht im Hinblick auf die Verpflichtungen nach diesem § 3 zu.</p>	<p>4. The Managing Director is not entitled to any right of retention with regard to the obligations pursuant to this Sec. 3.</p>
<p>§ 4 Geheimhaltung</p>	<p>Sec. 4 Confidentiality</p>
<p>1. Bis zum Beendigungstermin bleibt die Verschwiegenheitsverpflichtung nach § 9 des Geschäftsführer Dienstvertrags unberührt.</p>	<p>1. Until Termination Date, the confidentiality covenant according to Sec. 9 of the Managing Director Service Agreement shall remain unaffected.</p>
<p>2. Die Verschwiegenheitsverpflichtung gilt auch nach dem Beendigungstermin, soweit gesetzlich zulässig, fort. Soweit der Geschäftsführer durch die nachvertraglichen Verschwiegenheitspflichten in seinem beruflichen Fortkommen unangemessen behindert wird, kann er von der Gesellschaft die Freistellung von dieser Pflicht verlangen.</p>	<p>2. The confidentiality obligation continues to apply after Termination Date to the extent permitted by law. If the Managing Director is unreasonably hindered in his professional advancement by the post-contractual duties of confidentiality, he can demand release from this obligation from the Company.</p>

<p>3. Zu den geheim zu haltenden Geschäftsgeheimnissen zählen insbesondere, aber nicht ausschließlich, die folgenden:</p> <ul style="list-style-type: none"> ● Geschäftsstrategien ● wirtschaftliche Planungen ● Preiskalkulationen und -gestaltungen ● Wettbewerbsmarktanalysen ● Umsatz- und Absatzzahlen ● Personaldaten ● Personalrestrukturierungskonzepte ● Produktspezifikationen ● Erfindungen, technische Verfahren und Abläufe, die nicht öffentlich bekannt sind und einen wirtschaftlichen Wert für das Unternehmen darstellen ● Kundendaten ● Lieferantendaten ● Passwörter, Zugangskennungen. 	<p>3. In particular, but not exclusively, the following business secrets are to be kept secret:</p> <ul style="list-style-type: none"> ● Business strategies ● Economic planning ● Pricing calculations and pricing policies ● Analysis on competitive market ● Turnover and sales figures ● Personal data ● Workforce restructuring plans ● Product specifications ● Inventions, technical procedures and methods that are not publicly known and have an economic value for the company ● Client data ● Supplier data ● Passwords, Access codes
<p>4. Auch über die Verhandlungen bzgl. dieses Aufhebungsvertrages, insbesondere über den finalen Inhalt, ist der Geschäftsführer gegenüber Kollegen, Kunden und Geschäftspartnern der Gesellschaft zu Stillschweigen verpflichtet, soweit er nicht zur Auskunft gesetzlich verpflichtet ist. Die Verpflichtung zur Verschwiegenheit erstreckt auch auf sämtliche mit der Gesellschaft im Sinne von § 15 AktG verbundenen Unternehmen.</p>	<p>4. The Managing Director is also obligated to maintain confidentiality with regard to the negotiations concerning this Separation Agreement, in particular with regard to the final content, vis-à-vis colleagues, customers and business partners of the Company, unless the Managing Director is legally obligated to provide information. The obligation to maintain confidentiality shall also extend to all companies affiliated with the Company within the meaning of Sec. 15 of the German Stock Corporation Act (AktG).</p>
<p>§ 5 Zeugnis</p>	<p>Sec. 5 Reference Letter</p>
<p>Der Geschäftsführer erhält nach Beendigung des Anstellungsverhältnisses ein qualifiziertes, wohlwollendes Zeugnis mit der Note „sehr gut“, das sich auf Leistung und Führung des Geschäftsführers erstreckt.</p>	<p>Upon termination of the service relationship, the Managing Director shall be furnished with a qualified, benevolent reference letter which refers to performance and conduct of the Managing Director, including an overall “sehr gut” rating.</p>

<p style="text-align: center;">§ 6 Meldung Agentur für Arbeit</p>	<p style="text-align: center;">Sec. 6 Notification of Employment Agency</p>
<p>Der Geschäftsführer wird darauf hingewiesen, dass der Abschluss des Aufhebungsvertrags zu sozialversicherungsrechtlichen Nachteilen führen kann, insbesondere beim Bezug von Arbeitslosengeld (Sperrzeit/Ruhegeld des Anspruchs). Abschließende rechtsverbindliche Auskünfte sind den jeweiligen Sozialversicherungsträgern vorbehalten (Bundesagentur für Arbeit u. a.). Zur Aufrechterhaltung ungekürzter Ansprüche auf Arbeitslosengeld ist der Geschäftsführer nach § 38 SGB III verpflichtet, sich spätestens drei Monate vor Beendigung des Anstellungsverhältnisses bei der Agentur für Arbeit persönlich als arbeitssuchend zu melden. Liegen zwischen der Kenntnis des Beendigungszeitpunkts und der Beendigung des Anstellungsverhältnisses weniger als drei Monate, hat die Meldung innerhalb von drei Tagen nach Kenntnis des Beendigungszeitpunktes zu erfolgen. Der Geschäftsführer wird zudem darauf hingewiesen, dass er eigene Aktivitäten bei der Suche nach einer anderen Beschäftigung entfalten muss.</p>	<p>The Managing Director is informed that the conclusion of the Separation 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 Managing Director is obliged under Sec. 38 SGB III to register personally 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 Managing Director is also informed that he must develop own activities in the search for other employment.</p>
<p style="text-align: center;">§ 7 Abgeltung</p>	<p style="text-align: center;">Sec. 7 Settlement</p>
<p>Mit Erfüllung der Verpflichtungen nach diesem Aufhebungsvertrag sind sämtliche finanziellen Ansprüche der Parteien aus dem Anstellungsverhältnis, gleichgültig ob bekannt, oder unbekannt, aus welchem Rechtsgrund und unabhängig vom Entstehungszeitpunkt, gegeneinander abgegolten und erledigt. Dies gilt auch im Hinblick auf den Urlaubsanspruch des Geschäftsführers, der vollständig in natura gewährt wurde, sowie im Hinblick auf etwaige sonstige Ansprüche auf Freizeitausgleich. Im Übrigen gilt § 2 Abs. 1. Von dieser Abgeltungsklausel ausgenommen sind Ansprüche gemäß § 43 GmbHG.</p> <p>Der Geschäftsführer verzichtet hiermit im Wege eines echten Vertrages zugunsten Dritter auf die Geltendmachung sämtlicher etwaigen Ansprüche gegen verbundene Unternehmen. Hiervon ausgenommen sind lediglich etwaige Ansprüche des Geschäftsführers nach dem Optionsprogramm der Pieris Pharmaceuticals, Inc..</p>	<p>Upon fulfillment of the obligations under this Separation Agreement, all financial claims of the Parties in relation to the service relationship, irrespective of whether known or unknown, the legal ground and the time of accrual, shall be deemed settled and satisfied. This also applies with regard to the Managing Director's vacation entitlement, which was granted in full in kind, and with regard to any other free time compensation claims. Other than that, Sec. 2 para. 1 above shall apply. Claims pursuant to section 43 GmbHG (Limited Liability Code) shall be exempt from this settlement clause.</p> <p>The Managing Director hereby waives by means of a real contract for the benefit of a third party the assertion of any and all possible claims against affiliated companies. However, possible entitlements of the Managing Director under the option pool of Pieris Pharmaceuticals, Inc. shall be excluded herefrom.</p>

<p style="text-align: center;">§ 8 Schlussbestimmungen</p>	<p style="text-align: center;">Sec. 8 Final Provisions</p>
<p>1. Sofern Abweichungen zwischen der deutschen und der englischen Fassung dieses Aufhebungsvertrages bestehen, ist die deutsche Fassung maßgeblich.</p>	<p>1. In case of discrepancies between the German and the English version of this Separation Agreement, only the German version shall be applicable.</p>
<p>2. Dieser Aufhebungsvertrag gibt die Vereinbarung zwischen den Parteien vollständig und inhaltlich zutreffend wieder. Schriftliche oder mündliche Nebenabreden bestehen nicht.</p>	<p>2. This Separation Agreement reflects the agreement between the Parties in full and accurately in 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. 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 Separation 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 Aufhebungsvertrag Lücken enthalten sollte.</p>	<p>4. Should individual provisions of this Separation Agreement be or become invalid, in whole or in part, the validity of the remaining provisions of this Separation 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 Separation Agreement should contain gaps.</p>

**Für die Gesellschafterversammlung der Pieris Pharmaceuticals GmbH
vertreten durch Frank Vollmering**

Ort, Datum / Location, Date:
Hallbergmoos, 25.07.2023

/s/ Frank Vollmering

(Unterschrift/ Signature)

Dr. Hitto Kaufmann (Geschäftsführer/ Managing Director)

Ort, Datum/ Location, Date:
Hallbergmoos, 26.07.2023

/s/ Hitto Kaufmann

(Unterschrift/Signature)

CONSULTING AGREEMENT

This Consulting Agreement (the “Agreement”) by and between Pieris Pharmaceuticals, Inc., a Nevada corporation with offices at 225 Franklin Street, Floor 26 Boston, MA 02110 and Pieris Pharmaceuticals GmbH, a German company with offices at Zeppelinstrasse 3, 85399 Hallbergmoos, Germany (collectively, “Pieris”) and Ahmed Mousa located at [***] (“Advisor”) (hereinafter individually a “Party” or collectively the “Parties”) is agreed upon as of the date last signed below and is deemed effective as of September 11, 2023 (the “Effective Date”).

Agreement

In consideration of the foregoing and the mutual promises and covenants contained in this Agreement, Pieris and Advisor agree to the following:

1. Engagement of Services; Compensation.

1.1 Advisor, pursuant to the provisions of this Agreement, agrees to provide consulting services to Pieris at Pieris’ request, as described in Appendix A (collectively, the “Services”), related to business development and legal matters at Pieris (“The Field”).

1.2 Advisor shall perform the foregoing Services for Pieris in good faith, in accordance with the highest professional standard and to the best of Advisor’s ability. The Advisor shall bill Pieris monthly for the Services provided during the previous calendar month, if any, and include the date, number of hours in one-tenth (0.1) hour increments, and type of service performed. Pieris shall pay undisputed invoices within thirty (30) days from receipt. For the avoidance of doubt, Advisor acknowledges and agrees that Pieris will not be liable for any transactional cost (e.g. bank transfer fees) associated with remitting any invoices under this Agreement.

1.3 During the term of this Agreement, Pieris may from time to time request additional activities from Advisor on topics within the Field. Any additional activities to be performed will be described in separate Appendices to be signed by both Parties.

1.4 Under this Agreement, Advisor shall not provide Pieris with any third party’s confidential information.

1.5 In the event Pieris provides Advisor with any tangible property, including but not limited to a computer, (such property, the “Property”), Advisor shall use such Property solely to perform Services and shall return the Property to Pieris upon termination of this Agreement or earlier upon Pieris’s request. Advisor shall protect such Property with the same degree of care used to protect their own personal property and shall be liable for any loss or damage to Property, normal wear and tear excepted.

2. Pieris’s Proprietary Rights.

2.1 Prior to and during the term of this Agreement, Advisor may receive and otherwise be exposed to information regarding the patents, know-how and trade secrets of technology and business of Pieris. Advisor therefore agrees that all Proprietary Information (as defined in Section 2.2), whether presently existing or developed in the future, whether or not patentable, shall be the sole property of Pieris and its assigns, and that Pieris and its assigns shall be the sole owner of intellectual property and other rights in connection with such Proprietary Information. Advisor warrants that his/her consents to Pieris’s sole ownership of intellectual property and other rights in connection with such Proprietary Information will not conflict with any of his/her existing obligation to any third party on or before the Effective Date. Nothing in this Agreement shall be deemed to grant Advisor any license and/or rights under any intellectual property or intellectual property application of Pieris.

2.2 As used in this Agreement, "Proprietary Information" shall mean (a) any and all information of Pieris disclosed to Advisor or to which Advisor has or had access, including without limitation: (i) inventions, developments, designs, applications, improvements, Trade Secrets, formulas, ideas, know-how, methods or processes, discoveries, techniques and data related thereto, and business practice, partners and clients, and (ii) any information assigned or otherwise conveyed to Pieris by another entity that has commercial value in the business in which the entity engaged; and (b) any information created, discovered or developed (including without limitation information created, discovered or developed by Advisor as a result of Advisor's performance of the Services) within the Field. "Trade Secrets" means any Proprietary Information that (1) derives value, actual or potential, from not being generally known to, and not being generally readily ascertainable by proper means by, third parties and (2) is the subject of reasonable efforts by Pieris to maintain its secrecy.

2.3 ALL PROPRIETARY INFORMATION IS PROVIDED TO ADVISOR "AS IS." PIERIS MAKES NO WARRANTIES, EXPRESS, IMPLIED, OR OTHERWISE REGARDING THE ACCURACY, COMPLETENESS OR USEFULNESS OF ANY PROPRIETARY INFORMATION.

3. Confidentiality; Non-use and Nondisclosure.

3.1 Advisor may use such Proprietary Information only to the extent required to accomplish the Services under this Agreement. During the term of this Agreement and for a period of seven (7) years after its termination (or indefinitely for Trade Secrets as long as such information continues to be protected as a Trade Secret by Pieris), Advisor will keep in the strictest confidence all Proprietary Information and shall not disclose to any party other than Pieris Proprietary Information without the prior written consent from Pieris except as set forth in Section 3.3 below. Advisor shall not use Proprietary Information for his/her own benefit or to benefit any third party.

3.2 Advisor understands that Pieris has received, and in the future will receive, information from third parties that is confidential or proprietary ("Third-Party Information"). Advisor recognizes Pieris's duty to maintain the confidentiality of such information. During the term of this Agreement and thereafter, Advisor will hold Third-Party Information in the strictest confidence and will not disclose Third-Party Information except as permitted by Pieris and such third party or as set forth in Section 3.3 below. Advisor may use Third-Party Information only to the extent as necessary for performing Services under this Agreement, unless expressly authorized to act otherwise by a written statement of an officer of Pieris.

3.3 Information is not considered Proprietary Information or Third-Party Information hereunder if Advisor can demonstrate with documentary evidence that such information (i) at the time of disclosure to Advisor has been in the public domain or at any time thereafter comes into the public domain through no fault of Advisor; (ii) has been in Advisor's possession at the time of disclosure or subsequently and independently developed by Advisor without reference to or use of Proprietary Information; or (iii) has been received by Advisor from an independent third party without obligation of confidentiality; or (iv) is required to be disclosed by law, provided that Advisor immediately notifies Pieris in writing so Pieris can protect its Proprietary Information, discloses only that Proprietary Information required to comply with the legal requirement, continues to maintain the confidentiality of Proprietary Information with respect to all other third parties, and provides any reasonable assistance requested by Pieris to maintain the confidentiality of Proprietary Information. Proprietary Information or Third-Party Information shall not be deemed "in the public domain or to come into the public domain," "in Advisor's possession or independently developed by Advisor," or "from an independent third party," under (i)-(iii) of this Section 3.3 merely because the individual elements of Proprietary Information were or are in the public domain or comes into the public domain, in Advisor's possession or independently developed by Advisor, or is from an independent third party, respectively, unless the combination and its principles were or are in the public domain or comes into the public domain, in Advisor's possession or independently developed by Advisor, or from an independent third party, respectively.

3.4 Advisor shall not disclose to any party other than Pieris, without the prior written consent from Pieris, the terms and conditions under which Advisor will provide Services under this Agreement, except when required by Advisor's employer, Advisor shall disclose only such information to his/her employer necessary to comply with the said requirement. In addition, each Party hereby agrees not to purchase or sell any securities of the other in violation of any applicable securities laws or internal policies related to insider trading while it is in possession of Proprietary Information of the other Party.

4. Assignment of Advisory Inventions.

4.1 Advisor acknowledges that in the course of providing Services to Pieris, it is possible that inventions (whether or not patentable) will be conceived of or reduced to practice by Advisor, either alone or jointly with others (the "Advisory Inventions"). Advisor agrees to disclose to Pieris, and hereby assigns to Pieris entire right, title and interest in and to any and all Advisory Inventions and agrees that all such Advisory Inventions shall be the sole property of Pieris.

4.2 This Section 4 shall not apply to inventions which neither (i) are related to the Proprietary Information of Pieris nor (ii) result from Services performed by Advisor.

4.3 Advisor understands that, to the extent this Agreement shall be governed and construed in accordance with the laws of any jurisdiction which preclude a requirement in an agreement to assign certain classes of inventions made by an individual acting as an Advisor, this Section 4 shall be interpreted not to apply to any invention which under said laws falls within such classes.

5. Assistance.

At Pieris's request, Advisor agrees to use the best effort to assist Pieris in obtaining any intellectual property rights relating to Advisory Inventions in all countries and in enforcing said intellectual property rights in all countries. At Pieris's request, Advisor further agrees to execute, verify and deliver such documents and perform such other acts to the best of Advisor's ability for Pieris (including appearing as a witness) which are necessary to apply, obtain, sustain, and enforce said intellectual property rights. Advisor's obligation to assist Pieris as described in this Section shall continue beyond the termination of this Agreement for a period of ten (10) years.

6. No Conflicting Obligation.

6.1 Advisor hereby certifies that Advisor's adherence to all of the terms of this Agreement and its Appendices will not breach or conflict with any existing obligation to any third party (including but not limited to any third party which the Advisor may have any affiliation) on or before the Effective Date.

6.2 Advisor specifically represents to Pieris that (i) performance under this Agreement will not conflict with Advisor's obligations to any third party with which the Advisor may have any affiliation; (ii) Advisor shall obtain any necessary permission from such party; and (iii) Advisor shall disclose to Pieris, all relevant policies of such party that may impact on Advisor's ability to perform hereunder.

6.3 Advisor warrants that Advisor has not and will not enter into any agreement whether written or oral, in conflict with this Agreement, including but not limited to any non-compete agreement(s).

7. No Improper Use of Materials or Documents.

Advisor certifies not to bring to Pieris or to use in the performance of Services any materials or documents of a present or former employer of Advisor, or of Advisor's clients, or any materials or documents obtained by Advisor under confidentiality imposed by Advisor's other relationships, unless such materials or documents are generally available to the public or Advisor has authorization from such present or former employer or client for the possession and use of such materials or documents. Advisor understands that Advisor is not to breach any obligation of confidentiality that Advisor has to present or former employers and agrees to fulfill all such obligations during the term of this Agreement.

8. Indemnification.

Advisor agrees to indemnify, defend, and hold harmless Pieris, its directors, officers, and employees, and any successors or assigns of any of the foregoing from and against any and all liabilities, damages, settlements, penalties, fines, costs and expenses (including, without limitation, reasonable attorney's fees and other litigation expenses) arising directly or indirectly out of or in connection with any third party claims, suits, actions, demands, or judgments resulting from Advisor's breach of any Section of this Agreement and negligence or willful misconduct in providing Services.

9. Independent Contractor.

Pieris and Advisor agree that Advisor is an independent contractor and not an agent or employee of Pieris. Advisor has no authority to act on behalf of Pieris, except as provided herein, or obligate Pieris by contract or otherwise. Advisor understands that Advisor will not be eligible for any employee benefits. Pieris will not make deductions from Advisor's fees for taxes; therefore, the payment of any taxes related to Advisor's provision of Services under this Agreement shall be the sole responsibility of Advisor. However, Pieris will pay any required VAT, if applicable.

10. Term and Termination.

10.1 Unless previously terminated as set forth below, the term of this Agreement shall commence on the Effective Date and shall expire three (3) months thereafter and may be extended for additional one (1) month periods (unless a different time period is specified) upon the mutual written consent of both Parties, which may be evidenced by continued performance and payment under this Agreement.

10.2 Advisor may terminate this Agreement at will upon thirty (30) days prior written notice to Pieris.

10.3 Pieris may terminate this Agreement or any portion of Services immediately upon written notice to Advisor.

11. Effects of Termination.

11.1 Upon the termination or expiration of this Agreement or certain Services hereunder, each Party shall be released from all obligations and liabilities to the other occurring or arising after the date of such termination or expiration, except that any termination of this Agreement or Services shall not: (i) relieve Advisor of Advisor's obligations under Sections 3, 5, 6, 7 and 8 hereof, (ii) relieve Pieris of its obligations to pay Advisor under Section 1 as of the termination date of the Agreement or Services, (iii) nor shall any such termination relieve Advisor or Pieris from any liability arising from any breach of this Agreement. In addition, Sections 13 and 14 shall survive expiration or termination of this Agreement.

11.2 Advisor's compensation under Section 1.2 is limited to Services Advisor has actually performed upon termination.

11.3 Upon termination of this Agreement pursuant to Section 10 and request of Pieris, Advisor shall either promptly deliver to Pieris or destroy all the documents and other materials of any nature in Advisor's possession pertaining to any Proprietary Information. Advisor shall not retain copies of any such documents or other materials after termination of this Agreement.

12. Assignment.

The rights and liabilities of the Parties hereto shall bind and inure to the benefit of their respective successors, assigns, heirs, executors and administrators, as the case may be; provided that Advisor may not assign or delegate Advisor's obligations under this Agreement either in whole or in part without the prior written consent of Pieris.

13. Legal and Equitable Remedies.

Because Advisor's Services are personal and unique and because Advisor may have access to and become acquainted with the Proprietary Information of Pieris, the Parties agree that the unauthorized use of Confidential Information will cause irreparable harm and loss to Pieris and entitle Pieris to immediate injunctive in addition to legal remedies and any other suitable relief available under the law.

14. Governing Law; Venue; Severability.

This Agreement shall be governed by the laws of New York without regard to its choice of law provisions. Any dispute out of or in connection with this Agreement shall be exclusively submitted to the state and Federal courts of New York. If one or more of the provisions in this Agreement are deemed unenforceable by law, then such provision will be deemed stricken from this Agreement and the remaining provisions will continue in full force and effect.

15. Entire Agreement; Modification.

This Agreement constitutes the final, exclusive and complete understanding and agreement of the Parties hereto and supersedes all prior understandings and agreements. This Agreement is entered into without reliance upon any representation, whether oral or written, not stated herein. Any waiver, modification or amendment of any provision of this Agreement shall be effective only in writing and signed by the Party against whom enforcement is sought.

16. Notices.

Any notices required or permitted hereunder shall be given to the appropriate Party at the address specified in this Agreement or at such other address as the Party shall specify in writing. Such notice shall be deemed given: (i) upon personal delivery to the appropriate address, (ii) one (1) business day after mailing, if sent by recognized overnight delivery, (iii) three (3) days after the date of mailing, if sent by certified or registered mail, or (iv) at the time acknowledgement of receipt is received by the sending Party, if sent by electronic mail and acknowledgment is required. Any change in address shall be promptly communicated by either Party to the other Party.

17. Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. In particular this Agreement may be executed through the use of facsimiles or electronic exchange of duly signed counterparts by each Party's authorized representative.

In Witness Whereof, this Agreement is executed by the Parties' duly authorized representatives and is effective as of the Effective Date.

Pieris

By: /s/ Tom Bures
Name: Tom Bures
Title: CFO
Date: September 11, 2023

Advisor

By: /s/ Ahmed Mousa
Name: Ahmed Mousa
Date: September 9, 2023

Appendix A

Services in the Field: Upon Pieris' written request, Advisor will participate in consulting and advising Pieris on business development and legal matters, as well as on any matter within the scope of Advisor's experience and knowledge, and perform other related tasks and projects, under the terms and conditions of this Agreement.

Compensation:

During the term of this Agreement, Advisor shall be compensated at an hourly rate of \$400 per hour or pro rata portion thereof for Services Advisor has actually performed. Pieris shall pay all reasonable expenses associated with travel, lodging and meals in the event that the Services involve travel approved by Pieris, without additional mark-up. For the avoidance of doubt, the Parties acknowledge and agree that Pieris will not pay for any travel time involved in providing Services.

Advisor shall provide Pieris with an invoice at the end of each calendar month for Services rendered in that month. Advisor shall address all invoices per instructions provided by Pieris. Advisor shall email all invoices to the email address provided by Pieris.

Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets (“[***]”) because the identified confidential portions are (i) not material and (ii) would be competitively harmful if publicly disclosed.

AMENDMENT NO. 1 TO
THE AMENDED AND RESTATED LICENSE AND COLLABORATION AGREEMENT
BY AND AMONG
PIERIS PHARMACEUTICALS, INC. AND PIERIS PHARMACEUTICALS GMBH
AND
SEAGEN INC.

This Amendment No. 1 to the Amended and Restated License and Collaboration Agreement (the “**Amendment No. 1**”) is entered into as of September 12, 2023 (the “**Amendment No. 1 Effective Date**”) by and among Pieris Pharmaceuticals, Inc., a Nevada corporation located at 225 Franklin Street, 26th floor, Boston, MA 02110 (“**PIRS US**”) and Pieris Pharmaceuticals GmbH, a company organized and existing under the laws of Germany located at Zeppelinstrasse 3, 85399, Hallbergmoos, Germany (“**PIRS Germany**”) and collectively and together with PIRS US and their Affiliates, “**PIRS**”), and Seagen Inc., a Delaware corporation located at 21823 30th Drive SE, Bothell, WA 98021 (together with its Affiliates, “**SGEN**”). SGEN, PIRS US and PIRS Germany are individually referred to herein as a “**Party**” and collectively, as the “**Parties**”.

RECITALS

WHEREAS, on March 24, 2021, the Parties entered into that certain Amended and Restated License and Collaboration Agreement to grant to each other licenses to certain patents and know-how in order to research, develop, manufacture, and commercialize certain novel products (the “**Agreement**”) which superseded and replaced that certain License and Collaboration Agreement dated February 8, 2018 among the Parties; and

WHEREAS, the Parties wish to amend the Agreement by this Amendment No. 1 in order to, among other things, (i) provide that SGEN shall perform activities under the Research Candidate Plans presently allocated to PIRS for each of the second and third SGEN Antibody Targets, (ii) accelerate SGEN’s Go/No-Go Decision Point for [***] Research Candidates being explored under the applicable Research Candidate Plan such that all such [***] Research Candidates shall be Collaboration Products as of the Amendment No. 1 Effective Date, (iii) confirm that the license grant set forth in Section 2.1 of the Agreement shall apply to each such Collaboration Product (provided that, subject to SGEN’s option to add Additional Collaboration Products, SGEN may only Develop, Manufacture and Commercialize one as a Collaboration Product with respect to each of the second and third SGEN Antibody Target), and (iv) replace the Go/No-Go Decision Fee contemplated by the Agreement with a new milestone payment as set forth herein.

Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets (“[*]”) because the identified confidential portions are (i) not material and (ii) would be competitively harmful if publicly disclosed.**

NOW, THEREFORE, in consideration of the promises and mutual covenants herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Amendment of Research Candidate Plans

1.1 Second and Third SGEN Antibody Target Research Candidate Plans. The Parties hereby agree that, as of the Amendment No. 1 Effective Date, SGEN shall be responsible for conducting at its own expense the activities previously assigned to PIRS under the applicable Research Candidate Plan as further described in Appendix A.

1.2 Technology Transfer. PIRS shall promptly transfer and make available to SGEN assays, materials, and information reasonably necessary for SGEN to complete the Research Candidate Plans. For the avoidance of doubt, such activities shall be permitted pursuant to the license grant set forth in Section 2.2.1.

2. Acceleration of Go/No-Go DP and Exercise of Exclusive License

2.1. Go/No-Go DP for Second Approved SGEN Antibody Target and Third Approved SGEN Antibody Target. Notwithstanding anything to the contrary in the Agreement, the Parties agree that the Go/No-Go DP as specified in Section 7.4 of the Collaboration Agreement for all Research Candidates targeting [***] being researched under the applicable Research Candidate Plan for each of the Second Approved SGEN Antibody Target and Third Approved SGEN Antibody Target is deemed achieved as of the Amendment No. 1 Effective Date such that (a) each such Research Candidate shall thereafter be a Collaboration Product (without payment of the Go/No-Go Decision Fee as set forth below), and (b) the Selected Collaboration Product may be fully exploited by SGEN subject to the terms of the Agreement. The Parties further agree that this Amendment No. 1 serves as the written notice required for notification of the Go/No-Go DP under Section 1.106 (i) of the Agreement.

2.2 Exclusive License to all [***] Research Candidates for Second Approved SGEN Antibody Target and Third Approved SGEN Antibody Target.

a. *Exclusive License to all [***] Research Candidates*. Notwithstanding anything to the contrary in the Agreement, upon the Amendment No. 1 Effective Date, and subject to 2.2 (b) below, the exclusive license set forth in Section 2.1 of the Agreement shall be accelerated to the Amendment No. 1 Effective Date for all of the Research Candidates described in Section 2.1 above.

Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets (“[*]”) because the identified confidential portions are (i) not material and (ii) would be competitively harmful if publicly disclosed.**

b. *SGEN Selection of Collaboration Product to Clinically Develop and Commercialize.* Within [***] days of SGEN’s completion of the applicable Research Candidate Plan for each of the [***] Research Candidates for the Second Approved SGEN Antibody Target and Third Approved SGEN Antibody Target, SGEN shall provide written notification to PIRS of which Research Candidate, if any, it has determined to advance for Development and Commercialization (in each case, the “**Selected Collaboration Product**” and each such written notice, if given, a “**Selected Collaboration Product Notice**”). With respect to the [***] Research Candidate for the Second Approved SGEN Antibody Target, SGEN shall have until the earlier of (i) [***] and (ii) [***], to complete the applicable Research Candidate Plan. With respect to [***] Research Candidate for the Third Approved SGEN Antibody Target, SGEN shall have until the earlier of (i) [***] and (ii) [***], to complete the applicable Research Candidate Plan. For clarity, the foregoing is without prejudice to SGEN’s option of to add Additional Collaboration Products as contemplated by Section 4.3. For any [***] Research Candidate that is not a Selected Collaboration Product, Section 4.4.1.2 of the Agreement shall apply.

2.3 Waiver of Go/No-Go Decision Fee. Notwithstanding anything to the contrary in the Agreement, PIRS and SGEN expressly agree that, with respect to each of the Second Approved SGEN Antibody Target and Third Approved SGEN Antibody Target, the Go/No-Go Decision Fee specified in Section 7.6 and contemplated by Section 1.106 is hereby permanently waived for the Research Candidate chosen by SGEN as the Selected Collaboration Product to further Develop and Commercialize as set forth in Section 2.2b. above.

2.4 New Milestone for Selected Collaboration Products. In lieu of the waived Go/No-Go DP Development Event and associated payment of [***] set forth in Section 7.6 of the Agreement, with respect to each Selected Collaboration Product Notice given by SGEN, if any, to PIRS, SGEN shall pay PIRS a non-refundable and non-creditable payment of [***] in accordance with Section 8.3 of the Agreement.

3. Miscellaneous

3.1 Capitalized Terms. Unless defined in this Amendment No. 1, capitalized terms shall have the same meaning as that attributed to them in the Agreement.

3.2 Written Amendment. The Parties acknowledge that this is an amendment to the Agreement reduced to writing and signed by the respective authorized officers of the Parties as set forth in Section 16.12 of the Agreement.

3.3 Effectiveness. The Amendment No. 1 shall enter into force as of its Amendment No. 1 Effective Date.

3.4 Entire Agreement. As of the Amendment No. 1 Effective Date, this Amendment No. 1 shall form an integral part of the Agreement. Except as explicitly and specifically modified and amended herein, all of the terms, provisions, requirements and specifications contained in the Agreement remain in full force and effect.

Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets (“[*]”) because the identified confidential portions are (i) not material and (ii) would be competitively harmful if publicly disclosed.**

[Signature page immediately follows]

Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets (“[*]”) because the identified confidential portions are (i) not material and (ii) would be competitively harmful if publicly disclosed.**

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 1 to be executed by their duly authorized representatives.

/s/ Stephen S. Yoder
Stephen S. Yoder
President & CEO
Pieris Pharmaceuticals, Inc.

/s/ Natasha Hernday
Natasha Hernday
Chief Business Officer
Seagen Inc.

/s/ Stephen S. Yoder
Stephen S. Yoder
Managing Director
Pieris Pharmaceuticals GmbH

Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets (“[***]”) because the identified confidential portions are (i) not material and (ii) would be competitively harmful if publicly disclosed.

Appendix A

[***]

**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 14, 2023

/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 14, 2023

/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, 2023 (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 14, 2023

/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, 2023 (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 14, 2023

/s/ Thomas Bures

Thomas Bures

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