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# 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 June 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** | **30-0784346** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **225 Franklin Street, 26th Floor<br>Boston, MA<br>United States** | |
| **(Address of principal executive offices)** | **02110<br>(Zip Code)** |

**857-246-8998**

**Registrant's telephone number, including area code**

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

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

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

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☐ |

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

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 August 7, 2023, the registrant had 98,851,927 shares of common stock outstanding.

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**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 terminology including "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, PRS-220, and PRS-400, 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 other future drug candidates; our need for substantial additional funds in order to continue our operations and the uncertainty of whether we will be able to obtain the funding we need; our future financial performance; our ability to retain 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; our ability to continue to advance the phase 1 study for PRS-220; our ability to continue to advance PRS-400; 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 conflict in Ukraine 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 document are based on information available to us on the date hereof, and except as required by law, we undertake no obligation to update or revise publicly any of the forward-looking statements after the date of this Quarterly Report on Form 10-Q to conform our statements to actual results or changed expectations.

**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. $1.0846 based on information provided by Xignite as of June 30, 2023.

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**PIERIS PHARMACEUTICALS, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(unaudited, in thousands)**

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 44,938 | $ 38,635 |
| Short term investments | 9,937 | 20,534 |
| Accounts receivable | 952 | 5,810 |
| Prepaid expenses and other current assets | 10,645 | 8,445 |
| **Total current assets** | 66,472 | 73,424 |
| Property and equipment, net | 16,163 | 16,992 |
| Operating lease right-of-use assets | 3,816 | 3,705 |
| Other non-current assets | 1,093 | 1,369 |
| **Total assets** | $ 87,544 | $ 95,490 |
| **Liabilities and stockholders' equity** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 7,604 | $ 4,154 |
| Accrued expenses and other current liabilities | 9,082 | 11,605 |
| Deferred revenues, current portion | 17,683 | 20,824 |
| **Total current liabilities** | 34,369 | 36,583 |
| Deferred revenue, net of current portion | 759 | 18,734 |
| Operating lease liabilities | 11,918 | 12,244 |
| Other long term liabilities | — | — |
| **Total liabilities** | 47,046 | 67,561 |
| **Stockholders' equity:** | | |
| Preferred stock | — | — |
| Common stock | 99 | 74 |
| Additional paid-in capital | 340,164 | 318,530 |
| Accumulated other comprehensive loss | (137) | (254) |
| Accumulated deficit | (299,628) | (290,421) |
| **Total stockholders' equity** | 40,498 | 27,929 |
| **Total liabilities and stockholders' equity** | $ 87,544 | $ 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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | | | | |
| Customer revenue | $ 20,086 | $ 3,468 | $ 22,096 | $ 14,647 |
| Collaboration revenue | (31) | 230 | (105) | 39 |
| Total revenue | 20,055 | 3,698 | 21,991 | 14,686 |
| Operating expenses | | | | |
| Research and development | 14,328 | 11,947 | 27,752 | 26,013 |
| General and administrative | 3,664 | 4,081 | 7,687 | 8,460 |
| Total operating expenses | 17,992 | 16,028 | 35,439 | 34,473 |
| Income (loss) from operations | 2,063 | (12,330) | (13,448) | (19,787) |
| Other income (expense) | | | | |
| Interest income | 490 | 132 | 847 | 129 |
| Grant income | 1,584 | 1,184 | 3,612 | 3,314 |
| Other income (loss) | (161) | 676 | (218) | 905 |
| Net income (loss) | $ 3,976 | $ (10,338) | $ (9,207) | $ (15,439) |
| | | | | |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation | 287 | (499) | 45 | (356) |
| Unrealized gain on available-for-sale securities | 2 | 171 | 72 | 152 |
| Comprehensive income (loss) | $ 4,265 | $ (10,666) | $ (9,090) | $ (15,643) |
| Net income (loss) per share | | | | |
| Basic | $ 0.05 | $ (0.14) | $ (0.11) | $ (0.21) |
| Diluted | $ 0.05 | $ (0.14) | $ (0.11) | $ (0.21) |
| Weighted average number of common shares outstanding | | | | |
| Basic | 87,639 | 74,125 | 81,115 | 73,919 |
| Diluted | 87,826 | 74,125 | 81,115 | 73,919 |

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 June 30, 2022 and 2023**

| | Preferred shares | | Common shares | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | No. of shares | Share capital | No. of shares | Share capital | ATM proceeds receivable | Additional paid-in capital | Accumulated other comprehensive income (loss) | Accumulated deficit | Total Stockholders' equity |
| Balance as of March 31, 2022 | 16 | $ — | 74,098 | $ 74 | $ — | $ 314,668 | $ 953 | $ (262,245) | $ 53,450 |
| Net loss | — | — | — | — | — | — | — | (10,338) | (10,338) |
| Foreign currency translation adjustment | — | — | — | — | — | — | (499) | — | (499) |
| Unrealized loss on investments | — | — | — | — | — | — | 171 | — | 171 |
| Stock based compensation expense | — | — | — | — | — | 1,301 | — | — | 1,301 |
| Issuance of common stock resulting from exercise of stock options | — | — | 3 | — | — | 10 | — | — | 10 |
| 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 de minimis offering costs | — | — | 88 | — | — | 166 | — | — | 166 |
| Balance at June 30, 2022 | 16 | $ — | 74,257 | $ 74 | $ — | $ 316,249 | $ 625 | $ (272,583) | $ 44,365 |
| | | | | | | | | | |
| Balance as of March 31, 2023 | 16 | $ — | 74,519 | $ 74 | $ — | $ 319,414 | $ (426) | $ (303,604) | $ 15,458 |
| Net income | — | — | — | — | — | — | — | 3,976 | 3,976 |
| Foreign currency translation adjustment | — | — | — | — | — | — | 287 | — | 287 |
| Unrealized gain on investments | — | — | — | — | — | — | 2 | — | 2 |
| Stock based compensation expense | — | — | — | — | — | 1,048 | — | — | 1,048 |
| 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 June 30, 2023 | 16 | $ — | 98,852 | $ 99 | $ — | $ 340,164 | $ (137) | $ (299,628) | $ 40,498 |

**PIERIS PHARMACEUTICALS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**(unaudited, in thousands)**

**For the Six Months Ended June 30, 2022 and 2023**

| | Preferred shares | | Common shares | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | No. of shares | Share capital | No. of shares | Share capital | ATM proceeds receivable | Additional paid-in capital | Accumulated other comprehensive income (loss) | Accumulated deficit | Total Stockholders' equity |
| Balance at December 31, 2021 | 16 | $ — | 72,222 | $ 72 | $ — | $ 306,998 | $ 829 | $ (257,144) | $ 50,755 |
| Net loss | — | — | — | — | — | — | — | (15,439) | (15,439) |
| Foreign currency translation adjustment | — | — | — | — | — | — | (356) | — | (356) |
| Unrealized loss on investments | — | — | — | — | — | — | 152 | — | 152 |
| Stock based compensation expense | — | — | — | — | — | 2,479 | — | — | 2,479 |
| 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 | — | — | 1,920 | 2 | — | 6,573 | — | — | 6,575 |
| Balance at June 30, 2022 | 16 | $ — | 74,257 | $ 74 | $ — | $ 316,249 | $ 625 | $ (272,583) | $ 44,365 |
| Balance at December 31, 2022 | 16 | $ — | 74,519 | $ 74 | $ — | $ 318,530 | $ (254) | $ (290,421) | $ 27,929 |
| Net loss | — | — | — | — | — | — | — | (9,207) | (9,207) |
| Foreign currency translation adjustment | — | — | — | — | — | — | 45 | — | 45 |
| Unrealized gain on investments | — | — | — | — | — | — | 72 | — | 72 |
| Stock based compensation expense | — | — | — | — | — | 1,932 | — | — | 1,932 |
| 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 June 30, 2023 | 16 | $ — | 98,852 | $ 99 | $ — | $ 340,164 | $ (137) | $ (299,628) | $ 40,498 |

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)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2023** | **2022** |
| **Operating activities:** | | |
| Net loss | $ (9,207) | $ (15,439) |
| Adjustments to reconcile net loss to net cash (used in) operating activities: | | |
| Depreciation and amortization | 1,363 | 1,428 |
| Right-of-use asset (accretion) amortization | (67) | (5) |
| Stock-based compensation | 1,932 | 2,479 |
| Realized investment (losses) gains | (53) | 40 |
| Other non-cash transactions | (110) | 214 |
| Changes in operating assets and liabilities | (18,285) | (26,938) |
| Net cash provided by (used in) operating activities | (24,427) | (38,221) |
| **Investing activities:** | | |
| Purchases of property and equipment | (115) | (1,018) |
| Proceeds from maturity of investments | 18,895 | 4,850 |
| Purchases of investments | (8,243) | (31,645) |
| Net cash (used in) investing activities | 10,537 | (27,813) |
| **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 in transaction costs | 19,729 | 6,640 |
| Net cash provided by financing activities | 19,781 | 6,839 |
| Effect of exchange rate change on cash and cash equivalents | 412 | (4,312) |
| Net increase (decrease) in cash and cash equivalents | 6,303 | (63,507) |
| Cash and cash equivalents at beginning of period | 38,635 | 117,764 |
| Cash and cash equivalents at end of period | $ 44,938 | $ 54,257 |
| Supplemental cash flow disclosures: | | |
| Net unrealized gain on investments | $ 72 | $ 152 |
| Property and equipment included in accounts payable | $ 74 | $ 15 |

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, has historically been a clinical-stage biopharmaceutical company that discovers and develops 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 immuno-oncology, or IO, bispecific targeting 4-1BB and PD-L1, which is being advanced by Servier, and an IO bispecific targeting 4-1BB and CD228, which is being advanced by Seagen. 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 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. In addition, the Company announced its intention to explore potential partnerships for its therapeutic programs for cinrebafusp alfa (PRS-343), PRS-220 and PRS-400.

Also on July 18, 2023, the Company's board of directors approved a reduction in the Company's workforce by approximately 70%. The Company estimates that it will incur approximately $3.4 million of costs in connection with the reduction in workforce related to severance pay and other related termination benefits and that these costs will be incurred in the third quarter of 2023. The Company anticipates incurring additional retention costs in connection with the restructuring, however, such costs cannot be reasonably estimated as of the time of the filing of this Quarterly Report on Form 10-Q.

**Going Concern Uncertainties**

As of June 30, 2023, cash, cash equivalents, and investments were $54.9 million. For the three months ended June 30, 2023 and 2022, the Company had net income of $4.0 million and a net loss of $10.3 million, respectively. The Company has incurred net losses since inception and had an accumulated deficit of $299.6 million as of June 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 prior to the consummation of a strategic transaction.

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 believe 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 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 six months ended June 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 six months ended June 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; 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 |

**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), net 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.

**Income Taxes**

While the Company generated pretax income for the quarter ended June 30, 2023, the Company is in a net loss position for the six-month period ended June 30, 2023 and the Company is expecting to be in an annual book and tax loss position for the 2023 fiscal year. Additionally, a significant portion of the current year actual and estimated revenue has already been recognized for tax purposes. The Company continues to maintain a full valuation allowance on its net deferred tax assets.

**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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Seagen | $ 3,486 | $ 2,607 | $ 4,909 | $ 2,919 |
| AstraZeneca | 4,056 | (130) | 4,490 | 4,623 |
| Servier | (31) | 230 | (105) | 4,964 |
| Genentech | 12,544 | 991 | 12,697 | 2,180 |
| **Total Revenue** | $ 20,055 | $ 3,698 | $ 21,991 | $ 14,686 |

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 | 98 | 106 |
| Boston Pharmaceuticals | 88 | 265 |
| **Total potential milestone payments** | $ 945 | $ 821 |

The above table is reflective of changes after certain subsequent events under the AstraZeneca and Servier collaborations as discussed below and should be considered to be current as of the date of the filing of this quarterly report, or August 10, 2023.

### 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 the remaining revenue, or $12.5 million, under the collaboration in the current quarter.

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 term of the BP Agreement, Boston Pharmaceuticals exclusively licensed worldwide right 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.

*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 will 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 June 30, 2023, there was $10.4 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.

As of June 30, 2023, there were $9.4 million and $0.8 million of current and non-current deferred revenue, respectively, 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 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, $3.5 million of aggregate transaction price allocated to remaining performance obligation is classified as current deferred revenue as of June 30, 2023 and will be recognized in revenue in the third quarter of 2023. With the termination of the AstraZeneca Agreements, there are no more active performance obligations related to the collaboration. Following the termination date, the Company will be free to choose to further develop its assets that were the subject of the Agreements; the Company will evaluate the programs and its rights under the 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. As of June 30, 2023, the remaining balance of the asset recognized from transaction costs to obtain the AstraZeneca contract was $0.1 million. Amortization during the three and six months ended June 30, 2023 was $0.1 million. Amortization during the three and six months ended June 30, 2022 was de minimis and $0.2 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. After the notification period under the Servier Agreements lapses, Servier will retain 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 reclassified the remaining deferred revenue under the collaboration to short-term to be recognized in revenue in the third quarter of 2023 and there were no more active co-development programs under the collaboration.

As of June 30, 2023, there was $4.7 million of aggregate transaction price allocated to remaining performance obligations under the Servier Agreements, all of which was classified as current deferred revenue **.**

**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 six months ended June 30, 2023. Reductions to deferred revenue were $19.9 million and $21.6 million for the three and six months ended June 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 June 2023 (with submissions for reimbursements allowed through August 2023). The Company has applied for a six-month extension that would enable the Company to request reimbursement of qualifying costs incurred by 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, the extended reimbursement period if the extension application is approved. 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 June 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 June 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) |
|---|---|---|---|---|
| **June 30, 2023** | | | | |
| Money market funds, included in cash equivalents | $ 36,705 | $ 36,705 | $ — | $ — |
| Investments - US treasuries | 8,141 | 8,141 | — | — |
| Investments - Corporate bonds | 1,796 | — | 1,796 | — |
| Total | $ 46,642 | $ 44,846 | $ 1,796 | $ — |

| | Total | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| **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 | $ 38,152 | $ 22,087 | $ 16,065 | $ — |

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 June 30, 2023.

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

| | Contractual maturity (in days) | Amortized Cost | Unrealized gains | Unrealized losses | Fair Value |
|---|---|---|---|---|---|
| **Investments** | | | | | |
| US treasuries | 20-160 | $ 8,141 | $ 1 | $ (1) | $ 8,141 |
| Corporate bonds | 5-47 | 1,797 | — | (1) | 1,796 |
| Total | | $ 9,938 | $ 1 | $ (2) | $ 9,937 |

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 six months ended June 30, 2023, respectively, and recorded de minimis gains from the maturity of available-for-sale securities during the three and six months ended June 30, 2022.

As of June 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. Property and equipment, net

Property and equipment are summarized as follows (in thousands):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Laboratory furniture and equipment | $ 12,258 | $ 11,970 |
| Office furniture and equipment | 1,761 | 1,861 |
| Computer equipment | 353 | 364 |
| Leasehold improvements | 12,312 | 12,444 |
| Property and equipment, cost | 26,684 | 26,639 |
| Accumulated depreciation | (10,521) | (9,647) |
| **Property and equipment, net** | $ 16,163 | $ 16,992 |

## 7. Accrued Expenses

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

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Research and development fees | $ 3,847 | $ 5,758 |
| Compensation expense | 2,125 | 3,015 |
| Accrued accounts payable | 1,531 | 1,245 |
| Lease liabilities | 910 | 859 |
| Other current liabilities | 497 | 483 |
| Accrued license obligations | 172 | 245 |
| Total | $ 9,082 | $ 11,605 |

**8. Net Income (Loss) per Share**

Basic net income (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 income (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 income (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 income (loss) per share, as their effect would be anti-dilutive for all periods presented, with the exception of the three months ended June 30, 2023.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net income (loss) | $ 3,976 | $ (10,338) | $ (9,207) | $ (15,439) |
| Basic weighted average common shares outstanding | 87,639 | 74,125 | 81,115 | 73,919 |
| Weighted average common equivalent shares | 187 | — | — | — |
| Diluted weighted average common shares outstanding | 87,826 | 74,125 | 81,115 | 73,919 |
| Basic net income (loss) per share | $ 0.05 | $ (0.14) | $ (0.11) | $ (0.21) |
| Diluted net income (loss) per share | $ 0.05 | $ (0.14) | $ (0.11) | $ (0.21) |

As of June 30, 2023 and 2022, and as calculated using the treasury stock method, approximately 41.2 million and 39.6 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 June 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 June 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 June 30, 2023 and December 31, 2022, respectively.
- Series B Convertible, 4,026 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively.
- Series C Convertible, 3,506 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively.
- Series D Convertible, 3,000 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively.
- Series E Convertible, 5,000 shares issued and outstanding at June 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 our 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, 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 six months ended June 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 six months ended June 30, 2022, the Company sold 1.9 million shares for gross proceeds of $6.9 million under the ATM Program at an average stock price of $3.57 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 GmbH entered into a new lease for office and laboratory space located in Hallbergmoos, Germany, or the Hallbergmoos Lease. Under the Hallbergmoos Lease, which commenced in February 2020 and provides an initial rental term of 12.5 years, Pieris GmbH rents approximately 105,000 square feet. An additional approximately 22,300 square feet is expected to be delivered by the lessor by October 2024. The Company has the option to extend the Hallbergmoos Lease for two additional 60 month periods, but does not currently plan to exercise the option to extend the lease expiration beyond its current expiration date. Pieris GmbH may sublease space within the leased property with lessor's consent, which may not be unreasonably withheld.

Monthly base rent for the initial 105,000 square feet of the leased property, including parking spaces, will total approximately $0.2 million per month. In addition to the base rent, Pieris GmbH is also responsible for certain administrative and operational costs in accordance with the Hallbergmoos Lease. Pieris GmbH provided a security deposit of $0.8 million as required by the Hallbergmoos Lease. The Company will serve 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. The lease incentive allowance was also factored in as a reduction to the right-of-use asset upon the adoption of ASC 842.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Operating lease costs | $ 287 | $ 331 | $ 574 | $ 680 |
| Variable lease costs (1) | 204 | 165 | 388 | 324 |
| Total lease cost | $ 491 | $ 496 | $ 962 | $ 1,004 |

(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 June 30, 2023 |
|---|---|
| Weighted-average remaining lease term (years) | 9.1 |
| Weighted-average discount rate | 10.5% |

Cash paid for amounts included in the measurement of the lease liabilities were $0.5 million and $0.6 million, respectively, for the three months ended June 30, 2023 and 2022.

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

| | Total |
|---|---|
| 2023 | $ 1,070 |
| 2024 | 2,141 |
| 2025 | 2,141 |
| 2026 | 2,141 |
| 2027 | 2,141 |
| Thereafter | 9,812 |
| Total undiscounted lease payments | 19,446 |
| Less: present value adjustment | (6,619) |
| Present value of lease liabilities | $ 12,827 |

Not included in the above table are amounts to be paid for the Hallbergmoos Lease expansion expected to commence in October 2024. 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 have historically been a clinical-stage biotechnology company that discovers and develops 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 IO.

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 including cinrebafusp alfa (PRS-343), PRS-220 and PRS-400. 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 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-4Rα, 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 (≥ 35ppb).
    - 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 that it was terminating the AstraZeneca Collaboration Agreement and the AstraZeneca Platform License, as discussed in more detail under "Recent Developments" below.

- Our lead fully proprietary respiratory asset, *PRS-220*, an orally inhaled Anticalin protein targeting connective tissue growth factor, or CTGF, 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 the clinical-stage, systemically delivered anti-CTGF antibody benchmark. 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 are conducting 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 in the second half of 2023.

  - In July 2023, we announced that we are focusing on exploring partnerships to advance PRS-220.

- 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.

- *PRS-400* is a fully proprietary Anticalin protein targeting Jagged-1 and is being developed as a local treatment for muco-obstructive lung diseases. Jagged-1 is one of five cell surface ligands interacting with Notch receptors. It has been demonstrated that Jagged-1/Notch signaling drives secretory cell trans-differentiation in the airways and that blocking Jagged-1/Notch signaling reduces secretory cell number, mucin expression and mucus plugging *in vivo*. In August 2022, we presented preclinical data at the European Respiratory Society International Congress 2022 indicating that candidate molecules inhibit Jagged-1-induced Notch 2 signaling in a dose-dependent manner and also demonstrate that PRS-400 reduces mucin expression *ex vivo*. Additionally, PRS-400 was found *in vivo* to reduce mucin gene expression and goblet cells in mice with IL-13-induced airway inflammation. These findings suggest that PRS-400 represents a promising opportunity to address muco-obstructive respiratory diseases locally with an attractive therapeutic index.

  - In May 2023, preclinical data were presented at the ATS 2023 International Conference demonstrating that PRS-400 reduced inflammation-driven goblet cell metaplasia and mucus hypersecretion in a therapeutic disease model. In July 2023, we announced that the Company was focusing on exploring partnerships to advance PRS-400.

- *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 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. After the notification period lapses under the terms of the Servier agreement, Servier will retain 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 will be entitled to increased royalty rates and potential royalties and milestones, if any, for PRS-344/S09501.

- 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 antibody-Anticalin 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. 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. During the third quarter of 2021, we initiated the second program, and during the fourth quarter of 2022, we initiated the third program within the collaboration with Seagen. We 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. Boston Pharmaceuticals continues to advance PRS-342/BOS-342 towards the clinic, with phase 1 expected to begin in the coming months.

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 six months ended June 30, 2023 and 2022, we reported net income of $4.0 million and net loss of $10.3 million, respectively. As of June 30, 2023, we had an accumulated deficit of $299.6 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 six months ended June 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.

**Recent Developments**

***Termination of AstraZeneca Agreement***

On July 17, 2023, AstraZeneca notified us of its intention to terminate the AstraZeneca Collaboration Agreement and the AstraZeneca Platform License, 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. Following the termination date, we will be free to choose to further develop our assets that were the subject of these agreements; we will review the programs and our rights under these agreements and determine our strategic options after our review.

***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. In addition, we announced our intention to explore potential partnerships for our therapeutic programs, including cinrebafusp alfa (PRS-343), PRS-220 and PRS-400.

On July 18, 2023, we announced that our board of directors approved a reduction in our workforce by approximately 70%. We estimate that we will incur approximately $3.4 million of costs in connection with the reduction in workforce related to severance pay and other related termination benefits and that these costs will be incurred in the third quarter of 2023. We anticipate incurring additional retention costs related to the restructuring, however, such costs cannot be reasonably estimated as of the time of the filing of this Quarterly Report on Form 10-Q.

**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 and respiratory programs, cinrebafusp alfa (PRS-343), PRS-220 and PRS-400 and partnering these programs to continue to advance them into or 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 six months ended June 30, 2023 and 2022**

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Revenues | $ 20,055 | $ 3,698 | $ 21,991 | $ 14,686 |
| Research and development expenses | 14,328 | 11,947 | 27,752 | 26,013 |
| General and administrative expenses | 3,664 | 4,081 | 7,687 | 8,460 |
| Total operating expenses | 17,992 | 16,028 | 35,439 | 34,473 |
| Other (expense) income | | | | |
| Interest income | 490 | 132 | 847 | 129 |
| Grant income | 1,584 | 1,184 | 3,612 | 3,314 |
| Other (expense) income | (161) | 676 | (218) | 905 |
| Net income (loss) | $ 3,976 | $ (10,338) | $ (9,207) | $ (15,439) |

*Revenues*

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

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2023 | 2022 | Increase/(Decrease) |
| Customer revenue | $ 20,086 | $ 3,468 | $ 16,618 |
| Collaboration revenue | (31) | 230 | (261) |
| Total Revenue | $ 20,055 | $ 3,698 | 16,357 |

- The $16.6 million increase in customer revenue in the three months ended June 30, 2023 compared to the three months ended June 30, 2022 is driven primarily by revenue recognized (approximately $12.5 million) for the discontinuation of two discovery-stage and associated target swaps under the Genentech collaboration as well as the discontinuation of a discovery-stage program under the AstraZeneca collaboration (approximately $3.9 million).

- The $0.3 million decrease in collaboration revenues in the three months ended June 30, 2023 compared to the three months ended June 30, 2022 reflects increased Servier efforts and expenses for PRS-344/S095012 that offsets our portion of revenue under the Servier collaboration.

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

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2023 | 2022 | Increase/(Decrease) |
| Customer revenue | $ 22,096 | $ 14,647 | $ 7,449 |
| Collaboration revenue | (105) | 39 | (144) |
| Total Revenue | $ 21,991 | $ 14,686 | 7,305 |

- The $7.4 million increase in customer revenue in the six months ended June 30, 2023 compared to the six months ended June 30, 2022 is driven primarily by revenue recognized (approximately $12.5 million) for the discontinuation of two discovery-stage programs and associated target swaps under the Genentech collaboration as well as the discontinuation of a discovery-stage program under the AstraZeneca collaboration (approximately $3.9 million) in the current year. These increases were partially offset by revenue recognized in the prior year for the discontinuation of an early-stage program under the AstraZeneca collaboration (approximately $4.2 million), completion of the performance obligation related to the material right for PRS-352 (approximately $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 (approximately $1.5 million).

- The $0.1 million decrease in collaboration revenues in the six months ended June 30, 2023 compared to the six months ended June 30, 2022 reflects increased Servier efforts and expenses for PRS-344/S095012 that offsets our portion of revenue 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 June 30, 2023 and 2022 (in thousands):

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2023 | 2022 | Increase/(Decrease) |
| Respiratory | $ 6,743 | $ 1,856 | $ 4,887 |
| Immuno-oncology | 2,076 | 3,017 | (941) |
| Other R&D activities | 5,509 | 7,074 | (1,565) |
| Total | $ 14,328 | $ 11,947 | 2,381 |

- The $4.9 million increase in our respiratory programs for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 is due primarily to higher overall program costs for PRS-220, higher manufacturing and preclinical costs for PRS-400 and higher pre-clinical costs for a partnered discovery-stage program.

- The $0.9 million decrease in our immuno-oncology programs for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 is due primarily to decreases in manufacturing and clinical costs for cinrebafusp alfa and lower manufacturing costs for PRS-344/S095012.

- The $1.6 million decrease in other research and development activities expenses for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 is due primarily to lower personnel costs due to lower headcount and lower lab supply and consumable costs.

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

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | 2023 | 2022 | Increase/(Decrease) |
| Respiratory | $ 10,888 | $ 4,134 | $ 6,754 |
| Immuno-oncology | 4,585 | 7,450 | (2,865) |
| Other R&D activities | 12,279 | 14,429 | (2,150) |
| Total | $ 27,752 | $ 26,013 | 1,739 |

- The $6.8 million increase in our respiratory programs for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 is due primarily to higher overall program costs for PRS-220, higher manufacturing and pre-clinical costs for PRS-400 and higher pre-clinical costs for a partnered discovery-stage program.

- The $2.9 million decrease in our IO programs for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 is due primarily to a decrease in clinical and manufacturing costs for cinrebafusp alfa and lower manufacturing costs for PRS-344/S095012, offset slightly by higher consulting costs related to cinrebafusp alfa due to work required for program wind-down.

- The $2.2 million decrease in other research and development activities expenses for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 is due primarily to lower personnel costs due to lower headcount, lower lab supply and consumable costs, and lower software costs.

*General and Administrative Expenses*

General and administrative expenses were $3.7 million for the three months ended June 30, 2023 and $4.1 million for the three months ended June 30, 2022. The period-over-period decrease was driven primarily by lower personnel costs, lower legal costs due to less transactional activity, and lower travel costs.

General and administrative expenses were $7.7 million for the six months ended June 30, 2023 and $8.5 million for the six months ended June 30, 2022. The period-over-period decrease was driven primarily by lower personnel costs, lower legal costs due to lower transactional activity, as well as lower insurance costs.

*Other Income (Expense)*

Our other income (expense) was $1.9 million for the three months ended June 30, 2023 and $2.0 million for the three months ended June 30, 2022. Our other income (expense) was $4.2 million for the six months ended June 30, 2023 and $4.3 million for the six months ended June 30, 2022. Decreases in both comparable periods were primarily due to higher foreign exchange losses in the current period, partially offset by higher interest income on investments in the current periods and slightly higher grant income in each 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, divestiture of assets, or other strategic transactions, as well as the potential for new or expanded partnerships to advance our therapeutic programs including cinrebafusp alfa (PRS-343), PRS-220 and PRS-400. 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. In July 2023, we also approved a reduction in our workforce by approximately 70%.

Through June 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 June 30, 2023, we had a total of $54.9 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 $299.6 million as of June 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 decrease significantly in the near term as we focus on exploring potential strategic transactions, have conducted workforce reductions, and 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 the Company is 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):

| | Six Months Ended June 30, | |
|---|---|---|
| | **2023** | **2022** |
| Net cash provided by (used in) operating activities | $ (24,427) | $ (38,221) |
| Net cash (used in) investing activities | 10,537 | (27,813) |
| Net cash provided by financing activities | 19,781 | 6,839 |

Net cash used in operating activities for the six months ended June 30, 2023 was $24.4 million compared to net cash used in operating activities of $38.2 million for the six months ended June 30, 2022. Net cash used in operations in the current period is impacted by lower deferred revenue, primarily driven by higher revenue recognized for our Genentech and AstraZeneca collaborations, lower accrued expenses, and higher prepaid expenses. These changes are offset partially by higher accounts payable and lower account receivable. This compares to the impact of lower deferred revenue, primarily driven by higher revenue recognized for our AstraZeneca, Servier and Seagen collaborations, lower accounts payable and accrued expenses and higher prepaid expenses, offset partially by lower accounts receivable in the prior period.

Net cash provided by investing activities for the six months ended June 30, 2023 was $10.5 million as compared to net cash used in investing activities of $27.8 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 six months ended June 30, 2023 was $19.8 million as compared to $6.8 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 six months ended June 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 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 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 relating to any of these types of transactions; 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 its 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 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 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 on 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 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 June 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 June 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 (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 to add the following new risk factors:

***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, 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), PRS-220 and PRS-400. 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 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 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 ("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.

If we do not regain compliance with the Bid Price Requirement by the Compliance Date, we may be eligible for an additional 180 calendar day compliance period. To qualify, we would need to meet the continued listing requirement for the market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the Bid Price Requirement, and would need to provide written notice of our intention to cure the deficiency during the second compliance period, by effecting a reverse stock split, if necessary.

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 and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

| Exhibit Number | Exhibit Description | | Incorporated by Reference herein from Form or Schedule | Filing Date | SEC File / Registration Number |
|---|---|---|---|---|---|
| 10.1 | Pieris Pharmaceutical, Inc. 2020 Employee, Director and Consultant Equity Incentive Plan, as amended. | # | Form 8-K(Exhibit 10.1) | 6/26/2023 | 001-37471 |
| 10.2 | Pieris Pharmaceutical, Inc. 2023 Employee Stock Purchase Plan. | #* | | | |
| 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. | * | | | |
| 31.2 | 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. | * | | | |

| 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.

**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.**

August 10, 2023

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

August 10, 2023

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

**Exhibit 10.2**

**PIERIS PHARMACEUTICALS, INC.**

**2023 EMPLOYEE STOCK PURCHASE PLAN**

The following constitute the provisions of the 2023 Employee Stock Purchase Plan (the "Plan") of Pieris Pharmaceuticals, Inc. (the "Company").

1. Purpose. The purpose of the Plan is to provide Employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Code. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. Definitions.

(a) "Board" shall mean the Board of Directors of the Company, or a committee of the Board of Directors named by the Board to administer the Plan.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Common Stock" shall mean the common stock, $0.001 par value per share, of the Company.

(d) "Company" shall mean Pieris Pharmaceuticals, Inc., a Nevada corporation.

(e) "Compensation" shall mean the regular rate of salary or wages received by the Employee from the Company or a Designated Subsidiary that is taxable income for federal income tax purposes or applicable tax law, but excluding incentive compensation, incentive payments, bonuses, commissions, relocation, expense reimbursements, tuition or other reimbursements or compensation received from the Company or a Designated Subsidiary.

(f) "Continuous Status as an Employee" shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Company, provided that such leave is for a period of not more than ninety (90) days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

(g) "Contributions" shall mean all amounts credited to the account of a participant pursuant to the Plan.

(h) "Designated Subsidiaries" shall mean the Subsidiaries which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(i) "Employee" shall mean any person who is employed by the Company or one of its Designated Subsidiaries for tax purposes and, with respect to the Company, who is customarily employed for at least twenty (20) hours per week and more than five (5) months in a calendar year.

(j) "Exercise Date" shall mean the last business day of each Offering Period of the Plan.

(k) "Exercise Price" shall mean with respect to an Offering Period, an amount equal to 85% of the fair market value (as defined in Paragraph 7(b)) of a share of Common Stock on the Offering Date or on the Exercise Date, whichever is lower.

(l) "Offering Date" shall mean the first business day of each Offering Period of the Plan.

(m) "Offering Period" shall mean a period of six months as set forth in Paragraph 4 of the Plan (or such other period as determined by the Board in accordance with the Plan).

(n) "Plan" shall mean this Pieris Pharmaceuticals, Inc. Employee Stock Purchase Plan.

(o) "Subsidiary" shall mean a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

3. Eligibility.

(a) Any person who has been continuously employed as an Employee for one (1) month as of the Offering Date of a given Offering Period shall be eligible to participate in such Offering Period under the Plan and further, subject to the requirements of Paragraph 5(a) and the limitations imposed by Section 423(b) of the Code. All Employees granted options under the Plan with respect to any Offering Period will have the same rights and privileges except for any differences that may be permitted pursuant to Section 423.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary of the Company or (ii) which permits his or her rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate which exceeds $25,000 of fair market value of such stock as defined in Paragraph 7(b) (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time. In addition, the maximum number of shares of Common Stock that may be purchased by any participant during an Offering Period shall equal $25,000 divided by the fair market value of the Common Stock on the first trading day of such Offering Period, which price shall be adjusted if the price per share is adjusted pursuant to Section 18. Any option granted under the Plan shall be deemed to be modified to the extent necessary to satisfy this Paragraph 3(b).

4. Offering Periods. The Plan shall be implemented by a series of Offering Periods, with a new Offering Period commencing on June 1 and December 1 of each year or the first business day thereafter (or at such other time or times as may be determined by the Board). The initial Offering Period shall commence on June 1, 2023, provided that the Company's stockholders approve the Plan and the issuance of Common Stock thereunder at the Company's 2023 annual meeting of stockholders. The dates and provisions of separate Offering Periods under the Plan need not be identical, provided that the terms of participation are the same within any particular Offering Period except for any differences that may be permitted pursuant to Section 423 of the Code.

5. Participation.

(a) An eligible Employee may become a participant in the Plan by completing an Enrollment Form provided by the Company and filing it with the Company or its designee at least fifteen (15) days prior to the applicable Offering Date, unless a later time for filing the Enrollment Form is set by the Board for all eligible Employees with respect to a given Offering Period. The Enrollment Form and its submission may be electronic as directed by the Company. The Enrollment Form shall set forth the percentage of the participant's Compensation (which shall be not less than one percent (1%) and not more than ten percent (10%) to be paid as Contributions pursuant to the Plan).

(b) Payroll deductions shall commence with the first payroll following the Offering Date, unless a later time is set by the Board with respect to a given Offering Period, and shall end on the last payroll paid on or prior to the Exercise Date of the Offering Period to which the Enrollment Form is applicable, unless sooner terminated as provided in Paragraph 10.

6. Method of Payment of Contributions.

(a) Each participant shall elect to have payroll deductions made on each payroll during the Offering Period in an amount not less than one percent (1%) and not more than ten percent ten percent (10%) of such participant's Compensation on each such payroll (or such other percentage as the Board may establish from time to time before an Offering Date). All payroll deductions made by a participant shall be credited to his or her account under the Plan. A participant may not make any additional payments into such account.

(b) A participant may discontinue his or her participation in the Plan as provided in Paragraph 10, or, on one occasion only during the Offering Period, may decrease, but may not increase, the rate of his or her Contributions during the Offering Period by completing and filing with the Company a new Enrollment Form authorizing a change in the deduction rate. The change in rate shall be effective as of the beginning of the next payroll period following the date of filing of the new Enrollment Form, if the Enrollment Form is completed at least ten business days prior to such date, and, if not, as of the beginning of the next succeeding payroll period.

(c) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Paragraph 3(b), a participant's payroll deductions may be decreased to 0% at such time during any Offering Period which is scheduled to end during the current calendar year that the aggregate of all payroll deductions accumulated with respect to such Offering Period and any other Offering Period ending within the same calendar year equals $21,250. Payroll deductions shall recommence at the rate provided in such participant's Enrollment Form at the beginning of the first Offering Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Paragraph 10.

7. Grant of Option.

(a) On the Offering Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on the Exercise Date of such Offering Period a number of shares of the Common Stock determined by dividing such Employee's Contributions accumulated prior to such Exercise Date and retained in the participant's account as of the Exercise Date by the applicable Exercise Price; provided however, that such purchase shall be subject to the limitations set forth in Paragraphs 3(b) and 12. The fair market value of a share of the Common Stock shall be determined as provided in Paragraph 7(b).

(b) The fair market value of the Common Stock on a given date shall be (i) if the Common Stock is listed on a national securities exchange or traded in the over-the-counter market and sales prices are regularly reported for the Common Stock, the closing or last sale price of the Common Stock for such date (or, in the event that the Common Stock is not traded on such date, on the immediately preceding trading date), on the composite tape or other comparable reporting system; or (ii) if the Common Stock is not listed on a national securities exchange and such price is not regularly reported, the mean between the bid and asked prices per share of the Common Stock at the close of trading in the over-the-counter market.

8. Exercise of Option. Unless a participant withdraws from the Plan as provided in Paragraph 10, his or her option for the purchase of shares will be exercised automatically on the Exercise Date of the Offering Period, and the maximum number of full shares subject to the option will be purchased for him or her at the applicable Exercise Price with the accumulated Contributions in his or her account. If a fractional number of shares results, then such number shall be rounded down to the next whole number and any unapplied cash shall be carried forward to the next Exercise Date, unless the participant requests a cash payment. The shares purchased upon exercise of an option hereunder shall be deemed to be transferred to the participant on the Exercise Date. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

9. Delivery. Upon the written request of a participant, certificates representing the shares purchased upon exercise of an option will be issued as promptly as practicable after the Exercise Date of each Offering Period to participants who wish to hold their shares in certificate form, except that the Board may determine that such shares shall be held for each participant's benefit by a broker designated by the Board. Any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full Share shall be retained in the participant's account for the subsequent Offering Period, subject to earlier withdrawal by the participant as provided in Paragraph 10 below. Any other amounts left over in a participant's account after an Exercise Date shall be returned to the participant.

10. Withdrawal; Termination of Employment.

(a) A participant may withdraw all but not less than all the Contributions credited to his or her account under the Plan at any time prior to the Exercise Date of the Offering Period by giving written notice to the Company or its designee. All of the participant's Contributions credited to his or her account will be paid to him or her promptly after receipt of his or her notice of withdrawal and his or her option for the current period will be automatically terminated, and no further Contributions for the purchase of shares will be made during the Offering Period.

(b) Upon termination of the participant's Continuous Status as an Employee prior to the Exercise Date of the Offering Period for any reason, including retirement or death, the Contributions credited to his or her account will be returned to him or her or, in the case of his or her death, to the person or persons entitled thereto under Paragraph 14, and his or her option will be automatically terminated.

(c) In the event an Employee fails to remain in Continuous Status as an Employee for at least 20 hours per week during the Offering Period in which the Employee is a participant, he or she will be deemed to have elected to withdraw from the Plan and the Contributions credited to his or her account will be returned to him or her and his or her option terminated.

(d) A participant's withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in a succeeding offering or in any similar plan which may hereafter be adopted by the Company.

11. Interest. No interest shall accrue on the Contributions of a participant in the Plan.

12. Stock.

(a) The maximum number of shares of Common Stock which shall be made available for sale under the Plan shall be 750,000 shares subject to adjustment upon changes in capitalization of the Company as provided in Paragraph 18. If the total number of shares which would otherwise be subject to options granted pursuant to Paragraph 7(a) on the Offering Date of an Offering Period exceeds the number of shares then available under the Plan (after deduction of all shares for which options have been exercised), the Company shall make a pro rata allocation of the shares remaining available for option grants in as uniform a manner as shall be practicable and as it shall determine to be equitable. Any amounts remaining in an Employee's account not applied to the purchase of shares pursuant to this Paragraph 12 shall be refunded on or promptly after the Exercise Date. In such event, the Company shall give written notice of such reduction of the number of shares subject to the option to each Employee affected thereby and shall similarly reduce the rate of Contributions, if necessary.

(b) The participant will have no interest or voting right in shares covered by his or her option until such option has been exercised.

13. Administration. The Board shall supervise and administer the Plan and shall have full power to adopt, amend and rescind any rules deemed desirable and appropriate for the administration of the Plan and not inconsistent with the Plan, to construe and interpret the Plan, to correct any defect or supply any omission or reconcile any inconsistency or ambiguity in the Plan, and to make all other determinations necessary or advisable for the administration of the Plan, including, without limitation, adopting sub-plans applicable to particular Designated Subsidiaries or locations, which sub-plans may be designed to be outside the scope of Section 423 of the Code.

14 Designation of Beneficiary.

(a) A participant may designate a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of the Offering Period but prior to delivery to him or her of such shares and cash. In addition, a participant may designate a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to the Exercise Date of the Offering Period. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective. Beneficiary designations shall be made either in writing or by electronic delivery as directed by the Company.

(b) Such designation of beneficiary may be changed by the participant (and his or her spouse, if any) at any time by submission of the required notice, which may be electronic. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

15. Transferability. Neither Contributions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Paragraph 14) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Paragraph 10.

16. Use of Funds. All Contributions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such Contributions.

17. Reports. Individual accounts will be maintained for each participant in the Plan. Statements of account will be given to participating Employees promptly following the Exercise Date, which statements will set forth the amounts of Contributions, the per share purchase price, the number of shares purchased and the remaining cash balance, if any.

18. Adjustments Upon Changes in Capitalization. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by unexercised options under the Plan and the number of shares of Common Stock which have been authorized for issuance under the Plan but are not yet subject to options under Paragraph 12(a) (collectively, the "Reserves"), the maximum number of shares of Common Stock that may be purchased by a participant in an Offering Period set forth in Paragraph 3(b), as well as the price per share of Common Stock covered by each unexercised option under the Plan, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock. Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive.

In the event of the proposed dissolution or liquidation of the Company, an Offering Period then in progress will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger, consolidation or other capital reorganization of the Company with or into another corporation, each option outstanding under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, to shorten the Offering Period then in progress by setting a new Exercise Date (the "New Exercise Date"). If the Board shortens the Offering Period then in progress in lieu of assumption or substitution in the event of a merger or sale of assets, the Board shall notify each participant in writing, at least ten days prior to the New Exercise Date, that the Exercise Date for his or her option has been changed to the New Exercise Date and that his or her option will be exercised automatically on the New Exercise Date, unless prior to such date he or she has withdrawn from the Offering Period as provided in Paragraph 10. For purposes of this Paragraph, an option granted under the Plan shall be deemed to be assumed if, following the sale of assets, merger or other reorganization, the option confers the right to purchase, for each share of Common Stock subject to the option immediately prior to the sale of assets, merger or other reorganization, the consideration (whether stock, cash or other securities or property) received in the sale of assets, merger or other reorganization by holders of Common Stock for each share of Common Stock held on the effective date of such transaction (and if such holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if such consideration received in such transaction was not solely common stock of the successor corporation or its parent (as defined in Section 424(e) of the Code), the Board may, with the consent of the successor corporation, provide for the consideration to be received upon exercise of the option to be solely common stock of the successor corporation or its parent equal in fair market value to the per share consideration received by holders of Common Stock in the sale of assets, merger or other reorganization.

The Board may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock, and in the event of the Company being consolidated with or merged into any other corporation.

19. Amendment or Termination.

(a) The Board may at any time terminate or amend the Plan. Except as provided in Paragraph 18, no such termination may affect options previously granted, nor may an amendment make any change in any option theretofore granted which adversely affects the rights of any participant provided that an Offering Period may be terminated by the Board on an Exercise Date or by the Board's setting a new Exercise Date with respect to an Offering Period then in progress if the Board determines that termination of the Offering Period is in the best interests of the Company and the stockholders or if continuation of the Offering Period would cause the Company to incur adverse accounting charges in the generally-accepted accounting rules applicable to the Plan. In addition, to the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any applicable law or regulation), the Company shall obtain stockholder approval in such a manner and to such a degree as so required.

(b) Without stockholder consent and without regard to whether any participant rights may be considered to have been adversely affected, the Board shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Board determines in its sole discretion advisable that are consistent with the Plan.

20. Notices. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. Conditions Upon Issuance of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

22. Information Regarding Disqualifying Dispositions. By electing to participate in the Plan, each participant agrees to provide any information about any transfer of shares of Common Stock acquired under the Plan that occurs within two years after the first business day of the Offering Period in which such shares were acquired as may be requested by the Company or any Subsidiaries in order to assist it in complying with the tax laws.

23. Right to Terminate Employment. Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any Employee the right to continue in the employment of the Company or any Subsidiary, or affect any right which the Company or any Subsidiary may have to terminate the employment of such Employee.

24. Rights as a Stockholder. Neither the granting of an option nor a deduction from payroll shall constitute an Employee the owner of shares covered by an option. No Employee shall have any right as a stockholder unless and until an option has been exercised, and the shares underlying the option have been registered in the Company's share register.

25. Term of Plan. The Plan became effective upon its adoption by the Board on March 22, 2023 and shall continue in effect through May 31, 2032, unless sooner terminated under Paragraph 19.

26. Applicable Law. This Plan shall be governed in accordance with the laws of the State of Nevada, applied without giving effect to any conflict-of-law principles.

**Exhibit 31.1**

**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: August 10, 2023

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

**Exhibit 31.2**

**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: August 10, 2023

/s/ Thomas Bures
Thomas Bures
Title: Chief Financial Officer (principal financial officer and principal accounting officer)

**Exhibit 32.1**

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 June 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: August 10, 2023

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

**Exhibit 32.2**

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 June 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: August 10, 2023

/s/ Thomas Bures

Thomas Bures

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