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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

OR

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

For the transition period from _____ to _____

Commission File Number: 001-37471

PIERIS PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

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

857-246-8998

Registrant's telephone number, including area code

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 October 29, 2021, the registrant had 72,062,173 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, our future financial performance, expectations for growth and revenues, anticipated timing and amounts of milestone and other payments under collaboration agreements, business strategy and plans, objectives of management for future operations, timing and outcome of legal and other proceedings, and our ability to finance our operations are forward-looking statements. We have attempted to identify forward-looking statements by terminology including "anticipates," "believes," "can," "continue," "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: the results of our research and development activities, including uncertainties relating to the discovery of potential drug candidates and the preclinical and ongoing or planned clinical testing of our drug candidates; the early stage of our drug candidates presently under development; our ability to obtain and, if obtained, maintain regulatory approval of our current drug candidates and any of our other future drug candidates; our need for substantial additional funds in order to continue our operations and the uncertainty of whether we will be able to obtain the funding we need; our future financial performance; our ability to retain or hire key scientific or management personnel; our ability to protect our intellectual property rights that are valuable to our business, including patent and other intellectual property rights; our dependence on third-party manufacturers, suppliers, research organizations, testing laboratories and other potential collaborators; the success of our collaborations with third parties; our ability to meet milestones; our ability to successfully market and sell our drug candidates in the future as needed; the size and growth of the potential markets for any of our product candidates for which we 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 advance our phase 2 study for cinrebafusp alfa, or PRS-343; the expected impact of new accounting standards; and the length and severity of the pandemic relating to SARS-CoV-2 (severe acute respiratory syndrome coronavirus 2), or coronavirus, which causes coronavirus disease 2019, or COVID-19, which could have an impact 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 I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the Securities and Exchange Commission, or SEC, on March 31, 2021, 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. $1.1593 based on information provided by Refinitiv as of September 30, 2021.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

PIERIS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 125,052	$ 70,436
Accounts receivable	6,646	1,706
Prepaid expenses and other current assets	5,949	3,579
Total current assets	137,647	75,721
Property and equipment, net	19,613	22,046
Operating lease right-of-use assets	3,974	3,934
Other non-current assets	2,950	3,309
Total assets	$ 164,184	$ 105,010
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 3,562	$ 1,787
Accrued expenses and other current liabilities	19,685	7,731
Deferred revenues, current portion	26,449	12,627
Total current liabilities	49,696	22,145
Deferred revenue, net of current portion	46,190	35,900
Operating lease liabilities	14,445	15,932
Other long-term liabilities	—	6
Total liabilities	110,331	73,983
Stockholders' equity:		
Preferred stock	—	—
Common stock	72	56
ATM proceeds receivable	(1,814)	—
Additional paid-in capital	302,591	242,672
Accumulated other comprehensive income (loss)	616	(295)
Accumulated deficit	(247,612)	(211,406)
Total stockholders' equity	53,853	31,027
Total liabilities and stockholders' equity	$ 164,184	$ 105,010

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

PIERIS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited)

(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue				
Customer revenue	$ 2,783	$ 2,578	$ 20,189	$ 22,393
Collaboration revenue	1,274	361	2,786	5,053
Total revenue	4,057	2,939	22,975	27,446
Operating expenses				
Research and development	18,937	11,822	51,299	35,913
General and administrative	4,132	4,116	12,508	13,043
Total operating expenses	23,069	15,938	63,807	48,956
Loss from operations	(19,012)	(12,999)	(40,832)	(21,510)
Other income (expense)				
Interest income	4	55	10	503
Grant income	1,794	—	2,590	—
Other income (expense)	678	(1,339)	2,026	(1,823)
Net loss	$ (16,536)	$ (14,283)	$ (36,206)	$ (22,830)
Other comprehensive income (loss):				
Foreign currency translation	382	632	911	1,462
Unrealized loss on available-for-sale securities	—	(350)	—	(249)
Comprehensive loss	$ (16,154)	$ (14,001)	$ (35,295)	$ (21,617)
Net loss per share				
Basic and diluted	$ (0.24)	$ (0.26)	$ (0.58)	$ (0.42)
Weighted average number of common shares outstanding				
Basic and diluted	67,730	54,340	62,019	53,976

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

PIERIS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(unaudited, in thousands)

For the Three Months Ended September 30, 2020 and 2021

	Preferred shares		Common shares		ATM proceeds receivable	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total Stockholders' equity
	No. of shares	Share capital	No. of shares	Share capital					
Balance as of June 30, 2020	14	$ —	52,399	$ 52	$ —	$ 230,407	$ (1,064)	$ (182,723)	$ 46,672
Net loss	—	—	—	—	—	—	—	(14,283)	(14,283)
Foreign currency translation adjustment	—	—	—	—	—	—	632	—	632
Unrealized loss on investments	—	—	—	—	—	—	(350)	—	(350)
Stock based compensation expense	—	—	—	—	—	1,396	—	—	1,396
Issuance of common stock pursuant to ATM offering program, net of $0.4 million in offering costs	—	—	3,571	4	—	9,620	—	—	9,624
Balance as of September 30, 2020	14	$ —	55,971	$ 56	$ —	$ 241,423	$ (782)	$ (197,006)	$ 43,691
Balance as of June 30, 2021	16	$ —	66,679	$ 67	$ —	$ 277,496	$ 234	$ (231,076)	$ 46,721
Net loss	—	—	—	—	—	—	—	(16,536)	(16,536)
Foreign currency translation adjustment	—	—	—	—	—	—	382	—	382
Stock based compensation expense	—	—	—	—	—	1,370	—	—	1,370
Issuance of common stock resulting from exercise of stock options	—	—	272	—	—	566	—	—	566
Issuance of common stock pursuant to ATM offering program, net of $0.8 million in offering costs	—	—	4,554	5	(1,814)	23,159	—	—	21,350
Balance as of September 30, 2021	16	$ —	71,505	$ 72	$ (1,814)	$ 302,591	$ 616	$ (247,612)	$ 53,853

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 Nine Months Ended September 30, 2020 and 2021

	Preferred shares		Common shares		ATM proceeds receivable	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total Stockholders' equity
	No. of shares	Share capital	No. of shares	Share capital					
Balance as of December 31, 2019	11	$ —	55,212	$ 55	$ —	$ 227,468	$ (1,995)	$ (174,176)	$ 51,352
Net loss	—	—	—	—	—	—	—	(22,830)	(22,830)
Foreign currency translation adjustment	—	—	—	—	—	—	1,462	—	1,462
Unrealized gain on investments	—	—	—	—	—	—	(249)	—	(249)
Stock based compensation expense	—	—	—	—	—	3,916	—	—	3,916
Issuance of common stock resulting from exercise of stock options	—	—	139	—	—	271	—	—	271
Issuance of common stock resulting from purchase of employee stock purchase plan shares	—	—	47	—	—	145	—	—	145
Issuance of common stock pursuant to ATM offering program, net of $0.4 million in offering costs	—	—	3,571	4	—	9,620	—	—	9,624
Preferred stock conversion (Series D)	3	—	(3,000)	(3)	—	3	—	—	—
Balance as of September 30, 2020	14	$ —	55,971	$ 56	$ —	$ 241,423	$ (782)	$ (197,006)	$ 43,691
Balance as of December 31, 2020	14	$ —	56,003	$ 56	$ —	$ 242,672	$ (295)	$ (211,406)	$ 31,027
Net loss	—	—	—	—	—	—	—	(36,206)	(36,206)
Foreign currency translation adjustment	—	—	—	—	—	—	911	—	911
Stock based compensation expense	—	—	—	—	—	3,895	—	—	3,895
Issuance of common stock resulting from exercise of stock options	—	—	412	—	—	858	—	—	858
Issuance of common stock resulting from purchase of employee stock purchase plan shares	—	—	40	—	—	96	—	—	96
Issuance of common stock resulting from exercise of warrants	—	—	1,391	1	—	836	—	—	837
Issuance of common stock resulting from conversion of preferred stock	(4)	—	3,812	4	—	(4)	—	—	—
Preferred stock conversion (Series E)	5	—	(5,000)	(5)	—	5	—	—	—
Issuance of common stock pursuant to ATM offering program, net of $1.2 million in offering costs	—	—	7,558	8	(1,814)	35,328	—	—	33,522
Issuance of common stock pursuant to private placement offering, net of $0.1 million in offering costs	—	—	7,290	8	—	18,905	—	—	18,913
Balance as of September 30, 2021	16	$ —	71,505	$ 72	$ (1,814)	$ 302,591	$ 616	$ (247,612)	$ 53,853

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

PIERIS PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	Nine Months Ended September 30,	
	2021	**2020**
Operating activities:		
Net loss	$ (36,206)	$ (22,830)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,850	1,623
Right-of-use asset (accretion) amortization	(70)	(103)
Stock-based compensation	3,895	3,916
Other non-cash transactions	26	(293)
Changes in operating assets and liabilities	33,789	(14,792)
Net cash provided by (used in) operating activities	3,284	(32,479)
Investing activities:		
Purchases of property and equipment	(607)	(2,148)
Proceeds from maturity of investments	—	67,687
Purchases of investments	—	(41,178)
Net cash (used in) provided by investing activities	(607)	24,361
Financing activities:		
Proceeds from exercise of stock options	858	271
Proceeds from exercise of warrants	837	—
Proceeds from employee stock purchase plan	96	145
Proceeds from issuance of common stock from private placement, net of issuance costs	18,913	—
Proceeds from issuance of common stock resulting from ATM sales, net of $1.2M in transaction costs and $1.8M in proceeds receivable	33,522	9,624
Net cash provided by financing activities	54,226	10,040
Effect of exchange rate change on cash and cash equivalents	(2,287)	2,708
Net increase in cash and cash equivalents	54,616	4,630
Cash and cash equivalents at beginning of period	70,436	62,260
Cash and cash equivalents at end of period	$ 125,052	$ 66,890
Supplemental cash flow disclosures:		
Net unrealized loss on investments	$ —	$ (319)
Property and equipment included in accounts payable	$ —	$ 370

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

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

1. Corporate Information

Pieris Pharmaceuticals, Inc. was founded in May 2013, and acquired 100% interest in Pieris Pharmaceuticals GmbH (formerly Pieris AG, a German company that was founded in 2001) in December 2014. Pieris Pharmaceuticals, Inc. and its wholly-owned subsidiaries, hereinafter collectively Pieris, or the Company, is a clinical-stage biopharmaceutical company that 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 IL-4Rα antagonist Anticalin protein to treat moderate-to-severe asthma and an immuno-oncology, or IO, bispecific targeting 4-1BB and HER2.

The Company's core Anticalin technology and platform was developed in Germany, and the Company has partnership arrangements with several major multi-national pharmaceutical companies.

The Company is 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, reliance on third-party manufacturers and the ability to transition from pilot-scale production to large-scale manufacturing of products.

As of September 30, 2021, cash and cash equivalents were $125.1 million. The Company's net loss was $16.5 million and $14.3 million for the quarters ended September 30, 2021 and 2020, respectively. The Company has incurred net losses since inception and had an accumulated deficit of $247.6 million as of September 30, 2021. 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 at least the next several years.

The future success of the Company is dependent on its ability to identify and develop its product candidates, expand its corporate infrastructure and ultimately upon its ability to attain profitable operations. The Company has devoted substantially all of its financial resources and efforts to research and development and general and administrative expenses to support such research and development. The Company has several research and development programs underway in varying stages of development, and it expects that these programs will continue to require increasing amounts of cash for development, conducting clinical trials, and testing and manufacturing of product material. Cash necessary to fund operations will increase significantly over the next several years as the Company continues to conduct these activities necessary to pursue governmental regulatory approval of clinical-stage programs and other product candidates.

The Company plans to raise additional capital to fulfill its operating and capital requirements through public or private equity financings, utilization of its curren"at the market offering" program, or ATM Program, strategic collaborations, licensing arrangements, government grants and/or the achievement of milestones under its collaborative agreements. The funding requirements of the Company's operating plans, however, are based on estimates that are subject to risks and uncertainties and may change as a result of many factors currently unknown. Although management continues to pursue these funding plans, there is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continuing operations, if at all. Until such time that the Company can generate substantial product revenues, if ever, the Company expects to finance its cash needs through a combination of equity offerings, debt financings, strategic partnerships, licensing arrangements and government grants. The terms of any future financing may adversely affect the holdings or the rights of the Company's existing stockholders.

The Company believes that its currently available funds will be sufficient to fund the Company's operations through at least the next twelve months from the issuance of this Quarterly Report on Form 10-Q. The Company's belief with respect to its ability to fund operations is based on estimates that are subject to risks and uncertainties. If actual results are different from management's estimates, the Company may need to seek additional funding. If the Company is unable to obtain additional funding on acceptable terms when needed, it may be required to defer or limit some or all of its research, development and/or clinical projects.

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, 2020. There has been one material addition to the significant accounting policies pertaining to the Company's policy on government grant income during the nine months ended September 30, 2021.

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated financial statements included herein have been prepared by the Company in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, for interim financial information and pursuant to the rules and regulations of the SEC. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments, consisting of normal recurring adjustments, and disclosures considered necessary for a fair presentation of interim period results have been included. Interim results for the three and nine months ended September 30, 2021 are not necessarily indicative of results that may be expected for the year ending December 31, 2021. 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, 2020, which was filed with the SEC on March 31, 2021.

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 various accruals. 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 minimizes 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 (see Note 4).

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

The Company 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 the Company's 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.

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 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. Pieris 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.

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 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 consolidated statements of operations.

Leases

In accordance with ASU No. 2016-2, Leases (Topic 842), or ASC 842, and for each of the Company's leases, the following is recognized: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term for all leases (with the exception of short-term leases) at the commencement date.

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

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

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

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

Recent Accounting Pronouncement Adopted

In December 2019, the FASB issued ASU No. 2019-12,*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*which amends and aims to simplify accounting disclosure requirements regarding a number of topics including intraperiod tax allocation, accounting for deferred taxes when there are changes in consolidation of certain investments, tax basis step up in an acquisition and the application of effective rate changes during interim periods, among other improvements.

This standard is effective for fiscal years beginning after December 15, 2020 and was adopted by the Company on January 1, 2021. Adoption of this new standard did not have a material impact on the Company.

Recent Accounting Pronouncements Not Yet 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 is still evaluating the impact of the adoption of this standard.

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

3. Revenue

General

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Seagen	$ (280)	$ 366	$ 424	$ 9,326
AstraZeneca	1,607	2,182	18,309	7,227
Servier	1,867	391	3,379	10,893
Genentech	863	—	863	—
Total Revenue	$ 4,057	$ 2,939	$ 22,975	$ 27,446

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
AstraZeneca	$ 1,096	$ 4,275
Servier	139	209
Seagen	754	450
Boston Pharmaceuticals	88	265
Genentech	834	600
Total potential milestone payments	$ 2,911	$ 5,799

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. In addition, the Company may be eligible to receive up to approximately $1.4 billion in additional milestone payments across multiple programs, as well as tiered royalty payments on net sales at percentages ranging from the mid-single to low double-digits, subject to certain standard reductions and offsets.

Under the terms of the Genentech Agreement, the Company will be responsible for discovery and preclinical development of two initial programs. The Company will be responsible for research activities following target nomination through the late-stage research go decision. The parties will then collaborate on drug candidate characterization until the development go decision. After the development go decision, Genentech will be responsible for pursuing the preclinical and clinical development of each program, and thereafter, the commercialization efforts. Each party will be responsible for the costs incurred to perform their respective responsibilities. Genentech has an option to expand the collaboration to encompass two additional programs with the payment of a $10 million fee per additional program. If Genentech exercises its option to start additional programs, payment to the Company of additional fees, milestone payments and royalties would result.

Unless earlier terminated, the term of the Genentech Agreement continues until no royalty or other payment obligations are or will become due under the Genentech Agreement. The Genentech Agreement may be terminated (i) by either party based on insolvency or breach by the other party and such insolvency proceeding is not dismissed or such breach is not cured within 90 days; or (ii) after 9 months from the effective date of the Genentech Agreement, by Genentech as a whole or on a product-by-product and/or country-by-country basis upon 90 days prior written notice before the first commercial sale of a product or upon180 days prior written notice after the first commercial sale of a product.

While the Genentech Agreement allows for up to four research programs, only two research programs are initially identified and committed in the Genentech Agreement. To reach a total of up to four research programs, the Company has granted Genentech options to nominate an additional two collaboration targets of their choosing, subject to the legal availability of the target to be researched. Genentech will have three years after the effective date to nominate the subsequent targets. The Company has also granted Genentech options to replace any of the collaboration targets identified with another target. However, at no point will there be more than four identified collaboration targets for which there are ongoing research programs.

The arrangement with Genentech provides for the transfer of the following goods or services: (i) exclusive research and commercial license for the collaboration programs, (ii) a non-exclusive platform improvement license, (iii) research and development services, (iv) participation in a governance committee, and (v) replacement target options on the first two programs upon a screening failure 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 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 Genentech could not benefit from the licenses without the corresponding services. The Company determined that the participation in the governance committees was distinct as the services could be performed by an outside party.

As a result, management concluded there werefive separate performance obligations at the inception of the Genentech Agreement: (i) two combined performance obligations, each comprised of an exclusive research and commercial license, a non-exclusive platform improvement license, and research and development services for the first two Genentech programs, (ii) two performance obligations each comprised of a material right for a target swap option for the first two Genentech programs, and (iii)one performance obligation comprised of the participation on the governance committee.

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 $20.0 million in upfront fees and was allocated to each of the performance obligations based on the relative proportion of their standalone selling prices. The amounts allocated to the performance obligations for the two 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 target options 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 along with any remaining deferred revenue associated with the replacement target. The amounts allocated to the participation on the committee will be recognized on a straight-line basis over the anticipated research term for all research programs. As of September 30, 2021, there was $18.1 million of aggregate transaction price allocated to remaining performance obligations.

Under the Genentech Agreement, the Company is eligible to receive various research, development, commercial and sales milestones. There is uncertainty that the events to obtain the research and development milestones will be achieved given the nature of clinical development and the stage of the Company's technology. The Company has determined that all other research and development milestones will be constrained until it is deemed probable that a significant revenue reversal will not occur.

As of September 30, 2021, there were $5.1 million and $13.0 million of current and non-current deferred revenue, respectively, related to the Genentech Agreement.

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, a 4-1BB/GPC3 preclinical immuno-oncology Anticalin-antibody bispecific fusion protein.

Under the terms of the BP Agreement, Boston Pharmaceuticals exclusively licensed worldwide rights to PRS-342. The Company received an upfront payment of $10.0 million and is further entitled to receive up to $352.5 million in development, regulatory and sales-based milestone payments, tiered royalties up to low double-digits on sales of PRS-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 will also contribute up to $4.0 million toward manufacturing activities.

The term of the BP Agreement ends upon the expiration of all of Boston Pharmaceuticals' payment obligations thereunder. The BP Agreement may be terminated by Boston Pharmaceuticals in its entirety for convenience beginning nine months after its effective date upon 60 days' notice or, for any program under the BP Agreement which has received marketing approval, upon 120 days' notice. If any program is terminated by Boston Pharmaceuticals, the Company will have full rights to continue such program. The BP Agreement may also be terminated by Boston Pharmaceuticals or the Company for an uncured material breach by the other party upon 180 days' notice (60 days in the case of non-payment of undisputed amounts due and payable), subject to extension for an additional 180 days in certain cases and subject, in all cases, to dispute resolution procedures. The Agreement may also be terminated due to the other party's insolvency. The Company may also terminate the BP Agreement if Boston Pharmaceuticals challenges the validity of any patents licensed under the BP Agreement, subject to certain exceptions.

The Company does not have any obligations to assist in the research and development efforts of Boston Pharmaceuticals under the BP Agreement. However, the Company has an obligation to fund up to $4.0 million in costs, including out-of-pocket costs incurred by Boston Pharmaceuticals, in connection with the manufacture of products under the BP Agreement.
The arrangement with Boston Pharmaceuticals provides for the transfer of the following: (i) exclusive license of PRS-342, (ii) non-exclusive Pieris platform license, (iii) initial know-how, (iv) product cell line license, and (v) materials (as each such term is defined under the BP Agreement).

Management evaluated all of the promised goods or services within the BP Agreement 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 transfer of know-how, materials and the product cell line license. Boston Pharmaceuticals could not benefit from the exclusive and non-exclusive licenses without the corresponding transfer of know-how and materials.

As a result, management concluded there was only one combined performance obligation. The transaction price at inception is comprised of fixed consideration of $0.0 million in upfront fees, offset by $4.0 million in consideration payable to Boston Pharmaceuticals to reimburse them for expected out-of-pocket manufacturing costs, for a total transaction price of $6.0 million. Management has assessed the forms of variable consideration within the BP Agreement and concluded that the payments are either constrained by the royalty recognition constraint or because management has assessed the most likely amount associated with the payments as zero.

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. The Company expects all of the deliverables to be transferred to Boston Pharmaceuticals in the fourth quarter of 2021.

As of September 30, 2021, there was $5.8 million of aggregate transaction price allocated to remaining performance obligations under the BP Agreement. As of September 30, 2021, there was $5.8 million of current deferred revenue related to the BP Agreement.

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 will 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 will 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, payment to Pieris of additional fees, milestone payments and royalties would result.

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 additional90 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 weresix separate performance obligations at the inception of the Seagen Agreements: (i) three combined performance obligations, each comprised of a non-exclusive platform technology license, a co-exclusive candidate research license, and research and development services for the first three approved Seagen antibody target programs, (ii) two performance obligations each comprised of a material right for an antibody target swap option for the first and the second approved Seagen antibody target for no additional consideration, and (iii) one performance obligation comprised of the participation on the various governance committees.

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

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

The amounts allocated to the performance obligations for the three research programs will be recognized on a proportional performance basis through the completion of each respective estimated research term of the individual research programs. The amounts allocated to the material right for the antibody target swap option will be recognized either at the time the material right expires or, if exercised, on a proportional performance basis over the estimated research term for that program. The amounts allocated to the participation on each of the committees will be recognized on a straight-line basis over the anticipated research term for all research programs. As of September 30, 2021, there was $22.5 million of aggregate transaction price allocated to remaining performance obligations.

In June 2020, Seagen and the Company entered into amendments to the Seagen Agreements, or together, the Amendment. The Amendment extended the deadline for Seagen to nominate a second and third antibody target. As a result of the Amendment, which completed the obligations under the research term for the first antibody target, the Company recorded as revenue $4.2 million, which was previously recorded as deferred revenue, for the year ended December 31, 2020. The Company also recorded **$**.0 million of milestone revenue due from Seagen during the quarter ended June 30, 2020, as it was no longer

deemed probable that a significant reversal of revenue would occur, and the remaining performance obligations on first antibody target were completed.

On March 24, 2021, the Company announced that Seagen made a strategic equity investment in Pieris, 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 (IHC2+/ISH- & IHC1+) as part of the upcoming phase 2 study to be conducted by Pieris. 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 ofthree programs in the collaboration has been converted to a co-promotion option 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 $9.3 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.

As of September 30, 2021, there were $8.7 million and $10.6 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. Under the AstraZeneca Agreements, the parties will advance several novel inhaled Anticalin proteins.

In addition to the Company's lead inhaled drug candidate, PRS-060/AZD1402, or the AstraZeneca Lead Product, the Company and AstraZeneca will also collaborate to progress four additional novel Anticalin proteins against undisclosed targets for respiratory diseases, or the AstraZeneca Collaboration Products, and together with the AstraZeneca Lead Product, the AstraZeneca Products. The Company is responsible for advancing the AstraZeneca Lead Product through its phase 1 study, with the associated costs funded by AstraZeneca. The parties will collaborate thereafter to conduct a phase 2a study in asthma patients, with AstraZeneca continuing to fund development costs. After completion of a phase 2a study, Pieris has the option to co-develop the AstraZeneca Lead Product and also has a separate option to co-commercialize the AstraZeneca Lead Product in the United States. For the AstraZeneca Collaboration Products, the Company will be responsible for the initial discovery of the novel Anticalin proteins, after which AstraZeneca will take the lead on continued development of the AstraZeneca Collaboration Products. The Company has the option to co-develop two of the four AstraZeneca Collaboration Products

beginning at a predefined preclinical stage and would also have the option to co-commercialize thesetwo programs in the United States, while AstraZeneca will be responsible for development and commercialization of the other programs worldwide.

The term of each of the AstraZeneca Agreements ends upon the expiration of all of AstraZeneca's payment obligations under such agreement. The AstraZeneca Collaboration Agreement may be terminated by AstraZeneca in its entirety for convenience beginning 12 months after its effective date upon90 days' notice or, if the Company has obtained marketing approval for the marketing and sale of a product, upon 180 days' notice. Each program may be terminated at AstraZeneca's option; if any program is terminated by AstraZeneca, the Company will have full rights to such program. The AstraZeneca Collaboration Agreement may also be terminated by AstraZeneca or the Company for material breach upon 180 days' notice of a material breach (or 30 days with respect to payment breach), provided that the applicable party has not cured such breach by the permitted cure period (including an additional 180 days if the breach is not susceptible to cure during the initial180-day period) and dispute resolution procedures specified in the agreement have been followed. The AstraZeneca Collaboration Agreement may also be terminated due to the other party's insolvency and may in certain instances be terminated on a product-by-product and/or country-by-country basis. Each party may also terminate an AstraZeneca Agreement if the other party challenges the validity of patents related to certain intellectual property licensed under such AstraZeneca Agreement, subject to certain exceptions for infringement suits, acquisitions and newly-acquired licenses. The AstraZeneca Platform License will terminate upon termination of the AstraZeneca Collaboration Agreement, on a product-by-product and/or country-by-country basis.

At inception, AstraZeneca is granted the following licenses: (i) research and development license for the AstraZeneca Lead Product, (ii) commercial license for the AstraZeneca Lead Product, (iii) individual research licenses for each of the four AstraZeneca Collaboration Products, (iv) individual commercial licenses for each of thefour AstraZeneca Collaboration Products, and (v) individual non-exclusive platform technology licenses for the AstraZeneca Lead Product and the four AstraZeneca Collaboration Products. AstraZeneca will be granted individual development licenses for each of the four AstraZeneca Collaboration Products upon completion of the initial discovery of Anticalin proteins.

The collaboration will be managed on an overall basis by a Joint Steering Committee, or JSC, formed by an equal number of representatives from the Company and AstraZeneca. In addition to the JSC, the AstraZeneca Collaboration Agreement also requires each party to designate an alliance manager to facilitate communication and coordination of the parties' activities under the agreement, and further requires participation of both parties on a joint development committee, or JDC, and a commercialization committee. The responsibilities of these committees vary, depending on the stage of development and commercialization of each product.

Under the AstraZeneca Agreements, the Company received an upfront, non-refundable payment of $45.0 million. In addition, the Company will receive payments to conduct a phase 1 clinical study for the AstraZeneca Lead Product. The Company is also eligible to receive research, development, commercial, sales milestone payments and royalty payments. The Company may receive tiered royalties on sales of potential products commercialized by AstraZeneca and for co-developed products, gross margin share on worldwide sales equal to the Company's level of committed investment.

The Company determined that the AstraZeneca Agreements should be combined and evaluated as a single arrangement under ASC 606 as they were executed on the same date. The arrangement with AstraZeneca, including the impact of any modifications, provides for the transfer of the following goods and services: (i) five non-exclusive platform technology licenses, (ii) research and development license for the AstraZeneca Lead Product, (iii) commercial license for the AstraZeneca Lead Product, (iv) development and manufacturing services for the AstraZeneca Lead Product (or the phase 1 services), (v) technology transfer services for the AstraZeneca Lead Product, (vi) research services related to the AstraZeneca Lead Product, (vii) participation on each of the committees, (viii) four research licenses for the AstraZeneca Collaboration Products, (ix) four commercial licenses for the AstraZeneca Collaboration Products, (x) research services for the AstraZeneca Collaboration Products and (xi) certain phase 2a services for the AstraZeneca Lead Product. Additionally, as the development licenses on the four AstraZeneca Collaboration Products may be granted at a discount in the future, the Company determined such discounts should be assessed as material rights at inception.

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 for the AstraZeneca Lead Product at the inception of the arrangement should be combined with the research services related to the AstraZeneca Lead Product and that the licenses granted for the AstraZeneca Collaboration Products should be combined with the research services for the AstraZeneca Collaboration Products, as the licenses 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 AstraZeneca could not benefit from the licenses without the corresponding services. The Company also determined that each of the phase 1 services and the phase 2a services for the AstraZeneca Lead Product were distinct and that the participation on the various committees was also distinct, as all of the phase 1 services, phase 2a services and the committee

services could be performed by an outside party. The Company determined that the commercial licenses for the AstraZeneca Collaboration Products granted at the inception of the arrangement should be combined with the development licenses for the AstraZeneca Collaboration Products as the company would not benefit from the commercial license without the ability to develop each product.

As a result, management concluded that there were16 performance obligations: (i) combined performance obligation comprised of a non-exclusive platform technology license, research and development license, and commercial licenses for the AstraZeneca Lead Product and research services for the AstraZeneca Lead Product, (ii) combined performance obligation comprised of development and manufacturing services, and technology transfer services for the AstraZeneca Lead Product, (iii) committee participation, (iv-vii) four combined performance obligations each comprised of a non-exclusive platform technology license, research licenses, and research services for each AstraZeneca Collaboration Product, (viii-xi) four performance obligations comprised of a material right to acquire the development licenses granted for the AstraZeneca Collaboration Products, (xii-xv) four performance obligations comprised of the commercial licenses granted for the AstraZeneca Collaboration Products and (xvi) phase 2a services.

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 and corresponding research services by applying a risk adjusted, net present value, estimate of future potential cash flow approach, which included the cost of obtaining research 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 its standalone selling price for development and manufacturing services and technology transfer services for the AstraZeneca Lead Product using estimated internal and external costs to be incurred.

The Company developed its 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 Company developed its standalone selling price for the commercial licenses and material rights granted on the development licenses by probability weighting multiple cash flow scenarios using the income approach.

The transaction price was comprised of fixed consideration of $45.0 million in upfront fees and variable consideration of (i) $14.2 million in estimated phase 1 services, (ii) $12.5 million in milestone payments achieved upon the initiation of a phase 1 study in December 2017, and (iii) $4.7 million in estimated phase 2a services. The $45.0 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. Variable consideration of $14.2 million is related to the phase 1 services and will be allocated entirely to the performance obligation to which they relate. Variable consideration of $12.5 million related to the phase 1 trial milestone was allocated by relative selling price to the combined performance obligation comprised of a non-exclusive platform technology license, research and development license and commercial licenses for the AstraZeneca Lead Product and research services for the AstraZeneca Lead Product, and the combined performance obligation comprised of development and manufacturing services and technology transfer services for the AstraZeneca Lead Product performance obligations. Variable consideration of $4.7 million for phase 2a services was allocated specifically to the related performance obligation.

The amounts allocated to the license performance obligation for the AstraZeneca Lead Product and thefour performance obligations for the four research licenses for AstraZeneca Collaboration Products will be recognized on a proportional performance basis as the activities are conducted over the life of the arrangement. The amounts allocated to the performance obligation for phase 1 services, technology transfer services for the AstraZeneca Lead Product will be recognized on a proportional performance basis over the estimated term of development through phase 2a study. The amounts allocated to the performance obligation for phase 2a services for the AstraZeneca Lead Product will be recognized on a proportionate performance basis over an estimated term of 12 months. The amounts allocated to the performance obligation for participation on each of the committees will be recognized on a straight-line basis over the expected term of development of the AstraZeneca Lead Product and the AstraZeneca Collaboration Products. The term of performance is approximately five years. The amounts allocated to the four performance obligations for the material rights to acquire a development license and the four performance obligations for commercial licenses for the AstraZeneca Collaboration Products will be recognized upon exercise of the specific material right and delivery of each of the development licenses. As of September 30, 2021, there was $19.8 million of aggregate transaction price allocated to remaining performance obligations.

Additionally, the Company evaluated payments required to be made between both parties as a result of the shared development costs of the AstraZeneca Lead Product and the two AstraZeneca Collaboration Products for which the Company has a co-development option. The Company will classify payments made as a reduction of revenue and will classify payments received as revenue in the period they are earned.

Under the AstraZeneca Agreements, the Company is eligible to receive various research, development, commercial and sales milestones. There is uncertainty that the events to obtain the research and development milestones will be achieved given the nature of clinical development and the stage of the Company's technology. The Company has thus determined that all research and development milestones, other than the phase 1 initiation milestone achieved in December 2017 and included in the impact of adoption of ASC 606, will be constrained until it is deemed probable that a significant revenue reversal will not occur.

On March 29, 2021, the Company and AstraZeneca entered into (1) Amendment No. 1 to the Non-exclusive Anticalin® Platform License Agreement dated May 2, 2017 and (2) Amendment No. 2 to the License and Collaboration Agreement dated May 2, 2017, as previously amended by Amendment No. 1 dated September 14, 2020, collectively, the Amended Collaboration Agreement. Under the Amended Collaboration Agreement, the parties agreed to restructure certain commercial economics for the AZD1402/PRS-060 program by increasing potential sales milestones and reducing potential sales royalties, while fundamentally maintaining the overall value split between AstraZeneca and the Company.

In connection with the Amended Collaboration Agreement, the Company and AstraZeneca entered into a subscription agreement, or the AstraZeneca Subscription Agreement, pursuant to which the Company agreed to issue to AstraZeneca, and AstraZeneca agreed to acquire from the Company, 3,584,230 shares of the Company's common stock for a total purchase price of $10.0 million, or $2.79 per share, in a private placement transaction pursuant to Section 4(a)(2) of the Securities Act. The AstraZeneca Subscription Agreement closed on April 1, 2021 and includes a requirement that the Company file a registration statement to register the resale of the shares issued to AstraZeneca within 60 calendar days of the issuance of the shares. The Company assessed the payment under ASC 606 and concluded that the fair value of the shares on a per share basis was $2.60 per share as of the transaction date. This resulted in a premium paid for the shares of $0.7 million, which was added to the deferred revenue balance and will be recognized over time in line with our revenue recognition pattern for all remaining performance obligations.

Also in March 2021, the Company earned a $13.0 million milestone from AstraZeneca related to the initiation of the phase 2a study for PRS-060/AZD1402. The Company assessed the milestone payment under ASC 606 and determined that there no longer existed a constraint on the milestone as the performance obligation related to the phase 2a study was fully satisfied. Therefore, the Company realized the full $13.0 million as milestone revenue during the quarter ended March 31, 2021.

As of September 30, 2021, there were $0.8 million and $17.6 million of current and non-current deferred revenue, respectively, related to the AstraZeneca Agreements.

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 September 30, 2021, the remaining balance of the asset recognized from transaction costs to obtain the AstraZeneca contract was $0.7 million. Amortization during the three and nine months ended September 30, 2021 and 2020 was de minimis.

Servier

On January 4, 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.

Five committed programs were initially defined, which may 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. The collaboration may be expanded by up to three additional therapeutic programs. The Company had the option to co-develop and retain commercial rights in the United States for PRS-332, the initial lead program under the collaboration, or the Initial Lead, and has a similar option on up to three additional programs, or the Co-Development Collaboration Products, while Servier will be responsible for development and commercialization of the other programs worldwide, or the Servier Worldwide Collaboration Products. Each party is responsible for an agreed upon percentage of shared costs, as set forth in the budget for the collaboration plan, and as further discussed below.

The Co-Development Collaboration Products may be jointly developed, according to a collaboration plan, through marketing approval from the U.S. Food and Drug Administration or the European Medicines Agency. Servier Worldwide Collaboration Products may be jointly developed, according to a collaboration plan, through specified preclinical activities, at which point Servier becomes responsible for further development of the Collaboration Product.

At inception, Servier was granted the following licenses: (i) development license for the Initial Lead, (ii) commercial license for the Initial Lead, (iii) individual research licenses for each of the four Collaboration Products, and (iv) individual non-exclusive platform technology licenses for the Initial Lead and for each of thefour Collaboration Products. Upon achievement of certain development activities, specified by the collaboration for each Servier Agreement, Servier will be granted a development license and a commercial license. For the Initial Lead and the Co-Development Collaboration Products, the licenses granted are with respect to the entire world except for the United States. For Servier Worldwide Collaboration Products, the licenses granted are with respect to the entire world.

The Servier Agreements are managed on an overall basis by a joint executive committee, or JEC, formed by an equal number of members from the Company and Servier. Decisions by the JEC will be made by consensus; however, in the event of a disagreement, each party will have final decision-making authority as it relates to the applicable territory in which such party has commercialization rights for the applicable product. In addition to the JEC, the Servier Collaboration Agreement requires the participation of both parties on: (i) a JSC, (ii) a JDC, (iii) a joint intellectual property committee, or JIPC, and (iv) a joint research committee, or JRC. The responsibilities of these committees vary, depending on the stage of development and commercialization of the Collaboration Products.

For the Initial Lead and Co-Development Collaboration Products, the Company and Servier are responsible for an agreed upon percent of the shared costs required to develop the products through commercialization. In the event that the Company fails to exercise its option to co-develop the Co-Development Collaboration Products, Servier has the right to continue with the development and will be responsible for all costs required to develop the products through commercialization.

Under the Servier Agreements, the Company received an upfront, non-refundable payment of €30.0 million (approximately $32.0 million). In addition, the Company is eligible to receive research, development, commercial and sales milestone payments as well as tiered royalties up to low double digits on the sales of commercialized products in the Servier territories. The Company achieved two preclinical milestones under the program, one in December 2018 for €0.5 million (approximately $0.6 million) and another in February 2019 for €1.5 million (approximately $1.7 million), both of which became billable on their respective achievement dates.

The initial research collaboration term, as it relates to the Initial Lead and Collaboration Products, shall continue forthree years from the effective date of the Servier agreements and may be mutually extended for two one-year terms consecutively applied.

The term of each Servier Agreement ends upon the expiration of all of Servier's payment obligations under such Servier Agreement. The Servier Agreements may be terminated by Servier for convenience beginning 12 months after their effective date upon 180 days' notice. The Servier Agreements may also be terminated by Servier or the Company for material breach upon 90 days' or 120 days' notice under the Servier Collaboration Agreement and the Servier Platform License, respectively, provided that the applicable party has not cured such breach by the applicable 90-day or 120-day permitted cure period, and dispute resolution procedures specified in the applicable Servier Agreement have been followed. The Servier Agreements may also be terminated due to the other party's insolvency or for a safety issue and may in certain instances be terminated on a product-by-product and/or country-by-country basis. The Servier Platform License will terminate upon termination of the Servier Collaboration Agreement, on a product-by-product and/or country-by-country basis.

As the Company and Servier are considered to be active participants in the Servier Agreements and are exposed to significant risks and rewards, certain units of account within the Servier Agreements are within the scope of ASC 808. The arrangement with Servier provides for the transfer of the following goods and services: (i) five non-exclusive platform technology licenses, a development license, a commercial license and research and development services for the Initial Lead, (ii) participation on each of the committees, (iii) four research licenses for Collaboration Products, and (iv) research and development services for the Collaboration Products. Additionally, as the development and commercial licenses on the four Collaboration Products may be granted at a discount in the future, the Company determined such discounts should be assessed as material rights at inception.

Management evaluated all of the promised goods or services within the contract and determined which goods and services
were separate performance obligations. The Company determined that the licenses granted, at the inception of the Servier collaboration, should be combined with the research and development services to be provided for the Initial Lead and Collaboration Products, over the term of the Servier Agreements, as such licenses 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 Servier could not benefit from the licenses without the corresponding services. The Company determined that the participation on the various committees was distinct as the services could be performed by an outside party.

As a result, management concluded that there were10 performance obligations at the inception of the Servier Agreements. The following performance obligations are within the scope of ASC 808: (i) combined performance obligation comprised of a non-exclusive platform technology license, commercial license, development license and research and development services for the Initial Lead, (ii) two separate performance obligations each comprised of a combined non-exclusive platform technology license, research license and research and development services for each Co-Development Collaboration Product, (iii) one performance obligation comprised of participation in the various governance committees, and (iv) two combined performance obligations comprised of the development and commercial licenses granted for the Co-Development Collaboration Products (and corresponding discounts) upon the achievement of specified preclinical activities, resulting in material rights. Revenue recognized associated with these performance obligations are presented as Collaboration Revenue within the Statement of Operations. The following performance obligations are within the scope of ASC 606: (i) two separate performance obligations each comprised of a combined non-exclusive platform technology license, research license and research and development services for each Servier Worldwide Collaboration Product, and (ii) two combined performance obligations comprised of the development and commercial licenses granted for the Servier Worldwide Collaboration Products (and corresponding discounts) upon the achievement of specified preclinical activities, resulting in material rights. Revenue recognized associated with these performance obligations are presented as Customer Revenue within the Statement of Operations.

The Company allocated consideration to the performance obligations based on the relative proportion of their standalone selling prices. The Company developed its 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 its estimate of 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 Company developed its estimate of standalone selling price for the material rights granted on the development and commercial licenses granted for the Collaboration Products by probability weighting multiple cash flow scenarios using the income approach.

The transaction price at inception is comprised of the fixed upfront fee of €30.0 million (approximately $32.0 million) and was allocated to the performance obligations based on the relative proportion of their standalone selling prices.

The amounts allocated to the performance obligation for the Initial Lead and thefour performance obligations for the four research and development licenses for Collaboration Products will be recognized on a proportional performance basis as the activities are conducted over the life of the arrangement. The term of the performance at inception of the Servier Agreements for the Initial Lead and each of the Co-Development Collaboration Products may be through approval of certain regulatory bodies; a period which could be many years. The term of the performance for each of the other two Servier Worldwide Collaboration Products is through the initial research and collaboration term, plus potential extensions. The amounts allocated to the performance obligation for participation on each of the committees will be recognized on a straight-line basis over the anticipated performance period over the entirety of the arrangement with Servier. The amounts allocated to the four performance obligations for the material rights to acquire development and commercial licenses for the Co-Development Collaboration Products are granted in the future will be recognized over time upon delivery of each of the licenses through marketing approval. The amounts allocated to the four performance obligations for the material rights to acquire development and commercial licenses for the Servier Developed Collaboration Products are granted in the future will be recognized upon delivery of each of the licenses. As of September 30, 2021, there was $10.9 million of aggregate transaction price allocated to remaining performance obligations under the Servier Agreements.

Additionally, the Company evaluated payments required to be made between both parties as a result of the shared development costs of the Initial Lead and Collaboration Products. The Company will classify payments made as a reduction of revenue and will classify payments received as revenue, in the period they are earned.

Under the Servier Agreements, the Company is eligible to receive various research, development, commercial and sales milestones. There is uncertainty that the events to obtain the research and development milestones will be achieved given the nature of clinical development and the stage of the Company's technology. The Company has thus determined that research and development milestones will be constrained until it is deemed probable that a significant revenue reversal will not occur.

In September 2019, Servier notified the Company of its decision to discontinue co-development of PRS-332, a PD-1-LAG-3 bispecific that served as the initial development program under the Pieris-Servier alliance, for strategic reasons. The Company does not presently intend to continue development of PRS-332 but retains full rights to advance the development and commercialization of the product on a world-wide basis in the future.

In February 2020, the research term was extended for another 12 months. The Company has updated the transaction price for the extension for revenue recognition purposes and allocated it ratably over all unsatisfied performance obligations. In March 2020, Servier notified the Company of its decision to discontinue co-development of two earlier preclinical stage programs for strategic reasons based upon an extensive portfolio review. The notification required a 60-day period to complete remaining obligations on the programs; however, the Company determined that the material rights to acquire development and commercial licenses for one Co-Development Collaboration Product and for one Servier Developed Collaboration Products lapsed in March 2020 and recognized as revenue $7.1 million of previously deferred revenue associated with these material rights during the three-month period ended March 31, 2020. The parties continue to advance the development of two preclinical programs: PRS-344, a 4-1BB/PD-L1 bispecific designed as a co-development program, and PRS-352, which addresses undisclosed targets and for which Servier has worldwide rights.

In February 2021, the research term was extended for another 12 months.

As of September 30, 2021, there were $6.0 million and $5.0 million of current and non-current deferred revenue, respectively, related to the Servier Agreements.

The Company incurred costs to obtain the contract with Servier. Upon adoption of ASC 606, the Company capitalized $0.5 million of third-party service fees in accordance with ASC 340. As of September 30, 2021, the remaining balance of the asset recognized from costs to obtain the Servier contract was $0.1 million. Amortization during the three and nine months ended September 30, 2021 was de minimis. Amortization during the three and nine months ended September 30, 2020 was de minimis and $0.1 million, respectively.

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.

Additions to deferred revenue were $1.5 million and $31.6 million during the three and nine months ended September 30, 2021, respectively. Reductions to deferred revenue were $1.9 million and $3.5 million for the three and nine months ended September 30, 2021, 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. In June 2021, the Company was selected to receive a €14.2 million (approximately $17.0 million) grant from the Bavarian Ministry of Economic Affairs, Regional Development and Energy (the Bavarian Grant) supporting research and development for post-acute sequelae of SARS-CoV-2 infection (PASC) pulmonary fibrosis, or PASC-PF, also known as post-COVID-19 syndrome pulmonary fibrosis, or "long COVID".

The Bavarian Grant 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 August 2023, which 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 August 2023. The Company is required to communicate such proceeds in each case with the request to draw-down the funds.

5. Cash, cash equivalents and investments

As of September 30, 2021 and December 31, 2020, cash equivalents were $34.9 million and $64.0 million, respectively, and are comprised of money market accounts, all of which are Level 1 investments. The Company did not hold any Level 2 or 3 investments as of September 30, 2021 and did not have any transfers of investment between levels for the three and nine months ended September 30, 2021.

The Company did not record any realized gains or losses from the maturity of available-for-sale securities during the three and nine months ended September 30, 2021. The Company recorded $0.2 million and de minimis realized losses from the maturity of available-for-sale securities for the three and nine months ended September 30, 2020, respectively.

6. Property and equipment, net

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

	September 30, 2021	December 31, 2020
Laboratory furniture and equipment	$ 11,059	$ 11,188
Office furniture and equipment	2,009	2,120
Computer equipment	401	394
Leasehold improvements	13,434	14,159
Property and equipment, cost	26,903	27,861
Accumulated depreciation	(7,290)	(5,815)
Property and equipment, net	$ 19,613	$ 22,046

7. Accrued Expenses

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

	September 30, 2021	December 31, 2020
Accrued accounts payable	$ 2,732	$ 1,220
Collaboration cost-sharing obligation	2,543	—
Research and development fees	8,422	2,001
Compensation expense	2,914	2,759
Accrued license obligations	1,655	358
Lease liabilities	1,032	1,030
Audit and tax fees	165	128
Other current liabilities	222	235
Total	$ 19,685	$ 7,731

8. Net Loss per Share

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

As of September 30, 2021 and 2020, and as calculated using the treasury stock method, approximately36.7 million and 37.3 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 71,504,630 and 56,002,815 shares of common stock issued and outstanding as of September 30, 2021 and December 31, 2020, respectively, with a par value of $0.001 per share.

The Company had 10,000,000 shares authorized and 15,617 shares of preferred stock issued and outstanding as of September 30, 2021. The Company had10,000,000 shares authorized and 14,429 shares of preferred stock issued and outstanding as of December 31, 2020. Preferred stock has a par value of $0.001 per share, and consists of the following:

- Series A Convertible, 85 and 2,907 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively.
- Series B Convertible, 4,026 and 5,000 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively.
- Series C Convertible, 3,506 and 3,522 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively.
- Series D Convertible, 3,000 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively.
- Series E Convertible, 5,000 and 0 shares issued and outstanding at September 30, 2021 and December 31, 2020, 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.

Series D Preferred Stock Conversion

On March 31, 2020, the Company and certain entities affiliated with Biotechnology Value Fund, L.P., or BVF, entered into an exchange agreement pursuant to which, on April 1, 2020, BVF exchanged an aggregate of 3,000,000 shares of the Company's common stock owned by BVF for an aggregate of 3,000 shares of Series D Preferred Stock. The Company designated 3,000 shares of its authorized and unissued preferred stock as Series D Preferred Stock and filed a Certificate of Designation of Series D Convertible Preferred Stock of Pieris Pharmaceuticals, Inc. with the Nevada Secretary of State.

Series E Preferred Stock Conversion

On May 20, 2021, the Company and certain entities affiliated with BVF entered into an exchange agreement pursuant to which, BVF exchanged an aggregate of 5,000,000 shares of the Company's common stock owned by BVF for an aggregate of 5,000 shares of Series E Preferred Stock. The Company designated 5,000 shares of its authorized and unissued preferred stock as Series E Preferred Stock and filed a Certificate of Designation of Series E Convertible Preferred Stock of Pieris Pharmaceuticals, Inc., or the Series E Certificate of Designation, with the Nevada Secretary of State.

As described below, the Series E Preferred Stock has substantially the same terms as the Company's Series D Convertible Preferred Stock, par value $0.001 per share, issued in April 2020; Series C Convertible Preferred Stock, par value $0.001 per share, issued in November 2019; Series B Convertible Preferred Stock, par value $0.001 per share, issued in January 2019; and Series A Convertible Preferred Stock, par value $0.001 per share, issued in June 2016, all currently held by entities affiliated with BVF.

Each share of Series E Preferred Stock is convertible into 1,000 shares of Common Stock (subject to adjustment as provided in the Series E Certificate of Designation) at any time at the option of the holder, provided that the holder is prohibited from converting the Series E Preferred Stock into shares of Common Stock if, as a result of such conversion, the holder, together with its affiliates, would own more than 9.99% of the total number of shares of Common Stock then issued and outstanding, or the Beneficial Ownership Limitation. The holder may reset the Beneficial Ownership Limitation to a higher or lower number (not to exceed 19.99% of the total number of Common Shares issued and outstanding immediately after giving effect to a conversion) upon providing written notice to the Company. Any such notice providing for an increase to the Beneficial Ownership Limitation will be effective 61 days after delivery to the Company. In the event of the Company's liquidation, dissolution, or winding up, subject to the rights of holders of Senior Securities (defined below), holders of Series E Preferred Stock are entitled to receive a payment equal to $0.001 per share of Series E Preferred Stock before any proceeds are distributed

to the holders of Common Stock and Junior Securities (defined below) and pari passu with any distributions to the holders of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock, plus an additional amount equal to any dividends declared but unpaid on such shares. However, if the assets of the Company are insufficient to comply with the preceding sentence, then all remaining assets of the Company shall be distributed ratably to holders of the shares of the Series E Preferred Stock and Parity Securities (defined below). Shares of Series E Preferred Stock generally have no voting rights, except as required by law and except that the consent of holders of a majority of the then outstanding Series E Preferred Stock is required to amend the terms of the Series E Certificate of Designation. Holders of Series E Preferred Stock are entitled to receive any dividends payable to holders of Common Stock, and rank:

- senior to all of the Common Stock;
- senior to any class or series of capital stock of the Company created after the designation of the Series E Preferred Stock specifically ranking by its terms junior to the Series E Preferred Stock, or the Junior Securities;
- on parity with all shares of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock and any class or series of capital stock of the Company created after the designation of the Series E Preferred Stock specifically ranking by its terms on parity with the Series E Preferred Stock, or the Parity Securities; and
- junior to any class or series of capital stock of the Company created after the designation of the Series E Preferred Stock specifically ranking by its terms senior to the Series E Preferred Stock, or the Senior Securities,

in each case, as to distributions of assets upon the Company's liquidation, dissolution or winding up whether voluntarily or involuntarily and/or the right to receive dividends.

Open Market Sales Agreements

In August 2019, the Company entered into 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 through an at-the-market (ATM) Program, the 2019 ATM Program, under a shelf registration statement on Form S-3. Through September 30, 2021, the Company sold $23.2 million of common shares under the 2019 ATM Program. In August 2021, the 2019 ATM Program expired.

In August 2021, the Company established a second ATM offering program, or the 2021 ATM Program, under the existing sales agreement with Jefferies LLC, pursuant to which the Company may offer and sell shares of its common stock, par value $0.001 per share, from time to time, up to an aggregate amount of gross sales proceeds of $50.0 million. The 2021 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.

For the three months ended September 30, 2021, the Company sold 4.6 million shares for gross proceeds of $24.0 million under both ATM programs at an average stock price of $5.27. For the nine months ended September 30, 2021, the Company sold 7.6 million shares for gross proceeds of $36.7 million under both ATM programs at an average stock price of $4.86.

10. Leases

The Company currently leases office space in Boston, Massachusetts. In August 2015, the Company entered into a sublease to lease approximately 3,950 square feet. The sublease originally expired on February 27, 2022 or such earlier date pursuant to the termination provisions of the sublease. In July 2021, the Company extended the lease for this office space for an additional 10 months through December 31, 2022.

The Company also leased approximately 19,000 square feet of office and laboratory space in Freising, Germany under four agreements, or the Freising Leases, including three leases for space on three floors of the same building and a letter agreement for additional conference room space within the building. The Freising Leases expired on March 31, 2020.

In October 2018, Pieris GmbH entered into a new lease for office and laboratory space located in Hallbergmoos, Germany, or the Hallbergmoos Lease. Pieris GmbH moved its operations, formerly conducted in Freising, Germany, to the Hallbergmoos facility in February 2020.

Under the Hallbergmoos Lease, Pieris GmbH will rent approximately 105,000 square feet, of which approximately 98,400 square feet were delivered by the lessor in February 2020 and approximately 5,100 square feet were delivered by the lessor in May 2020. An additional approximately 22,300 square feet is expected to be delivered by the lessor by October 2024. Pieris GmbH has a first right of refusal to lease an additional approximate 13,400 square feet.

The Hallbergmoos Lease provides for an initial rental term of 12.5 years which commenced in February 2020 when the leased property was delivered to Pieris GmbH. Pieris GmbH also has an option to extend the Hallbergmoos Lease for two additional 60-month periods. The Company is not reasonably certain 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, which amount shall be adjusted starting on the second anniversary of the commencement date by an amount equal to the German consumer price index. 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating lease costs	$ 370	$ 360	$ 1,126	$ 1,134
Variable lease costs (1)	198	192	562	536
Total lease cost	$ 568	$ 552	$ 1,688	$ 1,670

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

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

	As of September 30, 2021
Weighted-average remaining lease term (years)	10.7
Weighted-average discount rate	10.5 %

Cash paid for amounts included in the measurement of the lease liabilities was $0.6 million and $1.9 million, respectively, for the three and nine months ended September 30, 2021. Cash paid for amounts included in the measurement of the lease liabilities was $0.6 million and $1.5 million, respectively, for the three and nine months ended September 30, 2020.

As of September 30, 2021, the maturities of the Company's operating lease liabilities and future minimum lease payments were as follows (in thousands):

	Total
2021	$ 624
2022	2,527
2023	2,288
2024	2,288
2025	2,288
Thereafter	15,065
Total undiscounted lease payments	25,080
Less: present value adjustment	(9,604)
Present value of lease liabilities	$ 15,476

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,

2020, 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, 2020, filed with the SEC on March 31, 2021. 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, 2020.

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

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

Overview

We are a clinical-stage biotechnology company that discovers and develops Anticalin-based drugs to target validated disease pathways in unique and transformative ways. Our clinical pipeline includes inhaled Anticalin proteins and IO bispecifics. Proprietary to us, Anticalin proteins are a novel class of therapeutics validated in the clinic and through partnerships with leading pharmaceutical companies. Our core Anticalin technology and platform were developed in Germany, and we have collaborations with major multi-national pharmaceutical companies. In particular, we have alliances with AstraZeneca and Genentech to treat respiratory diseases, with Genentech also in ophthalmology and with Servier, Seagen, and Boston Pharmaceuticals in IO. Our discovery and development programs are in varying stages and include:

- *PRS-060/AZD1402*, our lead respiratory program 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.

    - PRS-060/AZD1402 was tested in a nebulized formulation in 54 healthy volunteers at nominal dose levels ranging from 0.25 mg to 400 mg in a phase 1 single ascending dose study. Data from that study were presented at the American Thoracic Society International Conference in May 2019 showing that PRS-060/AZD1402 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). We presented interim data from the PRS-060/AZD1402 phase 1 multiple ascending dose study at the European Respiratory Society International Congress in October 2019 and reported that PRS-060/AZD1402 was safe and 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 asthma study is ongoing in Ukraine and Australia. This phase 2a study is a two-part, multi-center, placebo-controlled clinical study of PRS-060/AZD1402 that will evaluate PRS-060/AZD1402 at up to three dose levels using a dry powder formulation administered twice daily. The first part of the study is assessing the safety and pharmacokinetics of the dry powder formulation in approximately 45 moderate controlled asthmatics. The second part of the study will assess the efficacy, safety and pharmacokinetics of PRS-060/AZD1402 over four weeks in approximately 360 moderate uncontrolled asthmatics with blood eosinophil count of ≥ 150 cells/μL and FeNO ≥ 25 ppb at screening with FEV1 improvement as the primary endpoint. Dosing has been completed in part 1a (safety) of the global phase 2a study of PRS-060/AZD1402, an inhaled IL-4 receptor alpha inhibitor under development in collaboration with AstraZeneca for the treatment of moderate-to-severe asthma. Data unblinding and review will now follow, the outcome of which the Company will publicly disclose, gating progression to the second part of the study, where efficacy will be assessed in moderate, uncontrolled asthmatics. This study evaluating PRS-060/AZD1402 is being sponsored, funded and delivered by AstraZeneca. Upon completion of that study, Pieris will have the options to co-develop and, subsequently, co-commercialize PRS-060/AZD1402 in the United States. As part of the phase 2a initiation, we received a $13.0 million milestone payment from AstraZeneca.

- Four respiratory programs included in the AstraZeneca alliance beyond PRS-060/AZD1402 are in the discovery stage, the targets and disease areas of which are undisclosed. We retain co-development and co-commercialization rights to two out of these four programs.

- Our lead fully proprietary respiratory asset, PRS-220, an oral inhaled Anticalin protein targeting connective tissue growth factor, or CTGF, is being developed as a local treatment for idiopathic pulmonary fibrosis, or IPF, and has passed the drug candidate nomination stage. We were selected to receive a €14.2 million grant from the Bavarian Ministry of Economic Affairs, Regional Development and Energy supporting research and development of the program for post-acute sequelae of SARS-CoV-2 infection (PASC) pulmonary fibrosis, or PASC-PF, also known as post-COVID-19 syndrome pulmonary fibrosis, or "long COVID".

    - The PRS-220 program is currently in the IND-enabling stage. We presented initial preclinical data for PRS-220 at the European Respiratory Society International Congress 2021, or ERS, demonstrating a more potent and durable target engagement profile compared to a 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. Clinical development for the program in IPF and PASC-PF, as supported by a grant from the Bavarian government, is expected to begin in 2022.

- We have 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. We have now initiated joint discovery activities in each of the two committed programs.

- *Cinrebafusp alfa,* our lead IO program, is a fusion protein, 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 bispecific T cell co-stimulatory agonist to enter clinical development.

    - Regulatory and ethics approvals have been received in the United States and South Korea for the two-arm phase 2 study for cinrebafusp alfa in gastric cancer that will begin in the second-half of 2021. Supported by additional data we presented from the phase 1 monotherapy study of cinrebafusp alfa in an oral presentation session at the American Association for Cancer Research Virtual Congress, or AACR, in April 2021, the first arm of the phase 2 study will include the combination with ramucirumab and paclitaxel in HER2-high gastric cancer, while the second arm will be in combination with tucatinib in HER2-low gastric cancer. Collaboration partners Lilly and Seagen will supply ramucirumab and tucatinib, respectively. The criteria for advancement of this program will evaluate a composite of measures, including a minimum target of 50% ORR in the HER2-high arm and a minimum target of 40% ORR in the HER2-low arm, duration of response, and safety. The Company reconfirms its plan to report initial data from the arm evaluating cinrebafusp alfa in combination with tucatinib in HER2-low gastric cancer next year. The Company has decided to focus enrollment on second line patients and now expects to report data from the arm evaluating cinrebafusp alfa in combination with ramucirumab and paclitaxel in HER2-high gastric cancer in 2023. In June 2021, FDA granted orphan drug designation to cinrebafusp alfa for the treatment of HER2-high and HER2-low expressing gastric cancers.

    - The supporting data presented at AACR included an evaluation of 78 patients who had been enrolled in the monotherapy study as of the February 2021 cutoff date, including four additional patients enrolled in the active dose cohorts (≥2.5 mg/kg) since the data were presented at the European Society for Medical Oncology, or ESMO, Virtual Congress in September 2020. Out of 42 response-evaluable patients at the time of the data cutoff of February 25, 2021, according to RECIST 1.1, one patient with stage 4 rectal adenocarcinoma achieved a confirmed complete response at the 18 mg/kg Q2W dose (cohort 13b), four patients achieved a partial response (three at the 8 mg/kg Q2W dose (cohort 11b) and one at the 18 mg/kg Q2W dose (cohort 13b)), and stable disease was observed in 17 patients as best response out of 42 evaluable patients across the predicted active dose ranges (cohorts 9-13b), translating to an ORR of 12% and a DCR of 52%. Consistent with the mechanism of action of cinrebafusp alfa, dose-dependent immune activation was demonstrated by showing an increase in CD8+, T cell, NK cells and cytotoxic activity in the tumor microenvironment and an increase of soluble 4-1BB in the blood, indicating target engagement of 4-1BB and activation of immune cells. Cinrebafusp alfa demonstrated durable anti-tumor activity in a heavily pre-treated patient population. Additionally, clinical benefit was observed in patients with "cold" tumors as well as those with low HER2 expression who were enrolled into the study on the basis of archived HER2-status and were later re-assessed on the basis of a pre-treatment biopsy. Cinrebafusp alfa also showed an acceptable safety profile at all doses and schedules tested in the clinical study with no dose-limiting toxicities. The totality of response data generated in cohorts 11b (8 mg/kg Q2W) and 13b support the recommended phase 2 dose of a two-cycle loading dose of 18 mg/kg (Q2W), following by an 8 mg/kg dose (Q2W) in subsequent cycles.

- The last update of the atezolizumab combination study of cinrebafusp alfa was presented at the ESMO Virtual Congress in September 2020. As of the July 2020 cutoff date, 41 patients had been enrolled and seven dose cohorts have been evaluated at a Q3W dosing schedule ranging from 0.05 mg/kg to 8 mg/kg in combination with a fixed 1200 mg dose of atezolizumab. In that trial, under RECIST 1.1, four patients achieved a confirmed partial response at active dose levels and an acceptable safety profile was observed at all doses and schedules tested in the clinical study.

- *PRS-344/S095012*, a bispecific antibody-Anticalin fusion protein comprising an PD-L1-targeting antibody genetically fused to Anticalin proteins specific for 4-1BB. PRS-344 is being developed as part of our IO collaboration with Servier. Regulatory approval for the phase 1/2 study of PRS-344/S095012, a 4-1BB/PD-L1 bispecific, has been granted by multiple countries.

- We are also developing additional IO drug candidates beyond cinrebafusp alfa and PRS-344 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 collaboration with Servier and Seagen.

  - Servier has obtained *in vivo* proof of concept for PRS-352, an Anticalin-based bispecific beyond 4-1BB, triggering an undisclosed milestone payment to Pieris. Servier is responsible for further development of the program.

  - We achieved a key development milestone during 2020 for one of the programs in the Seagen collaboration, a bispecific tumor-targeted costimulatory agonist, triggering a $5.0 million milestone. We also handed the program over to Seagen, who is responsible for further advancement and funding of the asset. The program is one of up to three potential programs in the Seagen alliance, and we believe the achieved milestone further validates our approach and leadership in IO bispecifics, complementing the encouraging clinical data seen with cinrebafusp alfa. During the third quarter of 2021, we initiated the second program within the collaboration with Seagen, and this program includes a co-promotion option for us in the United States.

  - We are supporting IND-readiness for PRS-342/BOS-342, a 4-1BB/GPC3 bispecific that we have exclusively licensed to Boston Pharmaceuticals, who will oversee future development of that asset.

Since inception, we have devoted nearly all of our efforts and resources to our research and development activities and have incurred significant net losses. For the three and nine months ended September 30, 2021, we reported net losses of $16.5 million and $36.2 million, respectively. For the three and nine months ended September 30, 2020, we reported net losses of $14.3 million and $22.8 million, respectively. As of September 30, 2021, we had an accumulated deficit of $247.6 million. We expect to continue incurring substantial losses for the next several years as we continue to develop our clinical and preclinical drug candidates and programs. Our operating expenses are comprised of research and development expenses and general and administrative expenses.

We have not generated any revenues from product sales to date and we do not expect to generate revenues from product sales for the foreseeable future. Our revenues for the three and nine months ended September 30, 2021 and 2020 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 Pieris Pharmaceuticals GmbH). Remeasurement gains and losses are recorded in the statement of operations line item “Other income (expense), net.” All assets and liabilities denominated in euros are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at the weighted average rate during the period. Equity transactions are translated using historical exchange rates. All adjustments resulting from translating foreign currency financial statements into U.S. dollars are included in accumulated other comprehensive loss.

Key Financial Terms and Metrics

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

Revenues

We have not generated any revenues from product sales to date and we do not expect to generate revenues from product sales for the foreseeable future. Our revenues for the last two years have been 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 expect to continue incurring substantial expenses for the next several years as we continue to develop our clinical and preclinical drug candidates and programs. We are unable, with any certainty, to estimate either the costs or the timelines in which those expenses will be incurred. Our current development plans focus on the following programs: our lead respiratory program, PRS-060/AZD1402 and our other respiratory programs, our IO programs, currently comprised of cinrebafusp alfa as well as multiple additional proprietary and partnered programs, including PRS-344. These programs consume a large proportion of our current, as well as projected, resources.

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

- internal recurring costs, such as 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.

Results of Operations

Comparison of the three and nine months ended September 30, 2021 and 2020

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues	$ 4,057	$ 2,939	$ 22,975	$ 27,446
Research and development expenses	18,937	11,822	51,299	35,913
General and administrative expenses	4,132	4,116	12,508	13,043
Total operating expenses	23,069	15,938	63,807	48,956
Other (expense) income				
Interest income	4	55	10	503
Grant income	1,794	—	2,590	—
Other (expense) income, net	678	(1,339)	2,026	(1,823)
Net loss	$ (16,536)	$ (14,283)	$ (36,206)	$ (22,830)

Revenues

The following table provides a comparison of revenues for the three months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		
	2021	2020	Increase/(Decrease)
Customer revenue	$ 2,783	$ 2,578	$ 205
Collaboration revenue	1,274	361	913
Total Revenue	$ 4,057	$ 2,939	1,118

- The $0.2 million increase in customer revenue in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 relates to Genentech revenue, a new collaboration agreement in 2021 and the achievement of a preclinical milestone on PRS-352, a Servier partnered program, in the current quarter that were almost entirely offset by decreases in AstraZeneca and Seagen revenue. The decrease in AstraZeneca revenue is attributable to lower clinical and manufacturing costs incurred on PRS-060, along with lower activity on the Seagen programs as the second program was just initiated in the current quarter.

- The $0.9 million increase in collaboration revenues in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 is due to higher amounts of cost-sharing revenue driven by increased manufacturing costs incurred on PRS-344, a Servier-partnered program.

The following table provides a comparison of revenues for the nine months ended September 30, 2021 and 2020 (in thousands):

	Nine Months Ended September 30,		
	2021	2020	Increase/(Decrease)
Customer revenue	$ 20,189	$ 22,393	$ (2,204)
Collaboration revenue	2,786	5,053	(2,267)
Total Revenue	$ 22,975	$ 27,446	(4,471)

- The $2.2 million decrease in customer revenue in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 relates to higher revenue in the prior year due to Seagen revenue recorded upon the execution of a contractual amendment (approximately $3.5 million) and the achievement of a $5.0 million milestone on the first collaboration program, higher revenue recognized related to a preclinical stage product that is not being pursued under the Servier collaboration and higher reimbursable revenue on PRS-060 clinical and manufacturing costs. These were mostly offset by revenue in the current year for the phase 2a milestone ($13.0 million) recognized for PRS-060 under the AstraZeneca collaboration, Genentech revenue attributed to a new collaboration agreement and the achievement of a preclinical milestone on PRS-352.

- The $2.3 million decrease in collaboration revenues in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 relates to revenue recognized in the prior year on a preclinical stage product that Servier declined to pursue further, offset slightly by higher Servier cost-sharing revenue generated from higher levels of manufacturing costs incurred on PRS-344.

Research and Development Expenses

The following table provides a comparison of the research and development expenses for the three months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		
	2021	2020	Increase/(Decrease)
Respiratory	$ 4,313	$ 2,359	$ 1,954
Immuno-oncology	7,940	3,473	4,467
Other R&D activities	6,684	5,990	694
Total	$ 18,937	$ 11,822	7,115

- The $2.0 million increase in our respiratory programs for the three months ended September 30, 2021 compared to the three months ended September 30, 2020 is due to higher manufacturing costs for PRS-220, partly offset by lower clinical and manufacturing costs for PRS-060 as phase 1 work winds down.

- The $4.5 million increase in our IO programs for the three months ended September 30, 2021 compared to the three months ended September 30, 2020 is due primarily to an increase in clinical and manufacturing costs for cinrebafusp alfa and higher manufacturing and preclinical costs for PRS-344, partly offset by lower preclinical costs for cinrebafusp alfa.

- The $0.7 million increase in other research and development activities expenses for the three months ended September 30, 2021 compared to the three months ended September 30, 2020 is due primarily to higher personnel and recruiting costs due to higher headcount and external consulting expenses, offset slightly by lower lab consumable costs.

The following table provides a comparison of the research and development expenses for the nine months ended September 30, 2021 and 2020 (in thousands):

	Nine Months Ended September 30,		
	2021	2020	Increase/(Decrease)
Respiratory	$ 12,946	$ 7,784	$ 5,162
Immuno-oncology	18,360	9,494	8,866
Other R&D activities	19,993	18,635	1,358
Total	$ 51,299	$ 35,913	15,386

- The $5.2 million increase in our respiratory programs in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 is due to higher manufacturing and preclinical work being performed on PRS-220 and higher license fees, offset partially by lower clinical and manufacturing costs with respect to activities for PRS-060.

- The $8.9 million increase in our IO programs in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 is due primarily to an increase in clinical and manufacturing costs for cinrebafusp alfa and higher manufacturing costs for PRS-344, partially offset by lower preclinical costs for cinrebafusp alfa.

- The $1.4 million increase in other research and development activities expenses for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 is due primarily to higher external consulting, personnel and recruiting costs due to higher headcount and license fees, offset slightly by lower lab consumable costs and lower facility costs due to the move to the new R&D facility in Hallbergmoos, Germany in the prior year.

General and Administrative Expenses

General and administrative expenses were $4.1 million for the three months ended September 30, 2021 and $4.1 million for the three months ended September 30, 2020. The period-over-period costs were consistent as these departments continue to effectively and efficiently support the research and development organization.

General and administrative expenses were $12.5 million for the nine months ended September 30, 2021 and $13.0 million for the nine months ended September 30, 2020. The period-over-period decrease is due primarily to lower legal, accounting and project management costs, along with lower one-time office and building equipment costs related to the move to the new R&D facility in Hallbergmoos, Germany in the prior year. These reductions in cost were offset slightly by higher fixed and variable compensation, higher insurance costs and higher rent and depreciation expenses for the new R&D facility in the current year.

Other Income (Expense)

Our other income (expense) was $2.5 million for the three months ended September 30, 2021 and $(1.3) million for the three months ended September 30, 2020. This period over period increase was primarily due to $1.8 million of grant income recorded on PRS-220 as well as foreign exchange gains due to a strengthening U.S. dollar compared to the same period in the prior year.

Our other income was $4.6 million for the nine months ended September 30, 2021 and $(1.3) million for the nine months ended September 30, 2020. This period over period increase was primarily due to $2.6 million of grant income recorded on PRS-220 as well as foreign exchange realized gains due to a strengthening U.S. dollar compared to the same period in the prior year.

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.

Through September 30, 2021, 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, upfront and milestone payments), government grants and loans.

As of September 30, 2021, we had a total of $125.1 million in cash, cash equivalents and investments. We have incurred losses in every period since inception including the three and nine months ended September 30, 2021 and 2020, respectively, and have a total accumulated deficit of $247.6 million as of September 30, 2021.

We have several research and development programs underway in varying stages of development, and we expect they will continue to require increasing amounts of cash for development, conducting clinical trials and testing and manufacturing of product material. We expect cash necessary to fund operations will increase significantly over the next several years as we continue to conduct these activities necessary to pursue governmental regulatory approval of clinical-stage programs and our other product candidates.

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

	Nine Months Ended September 30,	
	2021	2020
Net cash provided by (used in) operating activities	$ 3,284	$ (32,479)
Net cash (used in) provided by investing activities	(607)	24,361
Net cash provided by financing activities	54,226	10,040

Net cash provided by operating activities for the nine months ended September 30, 2021 was $3.3 million compared to net cash used in operations of $32.5 million for the nine months ended September 30, 2020. Cash provided in 2021 is impacted by higher deferred revenue, primarily driven by the new collaboration agreements with Boston Pharmaceuticals and Genentech and higher accounts payable and accrued expenses, offset partially by higher accounts receivables and prepaid expenses. This compares to the impact of lower accounts payable, accrued expenses and deferred revenue, primarily driven by revenue recognized for the discontinued Servier programs and the satisfaction of a performance obligation under the Seagen agreements, for the nine months ended September 30, 2020. Offsetting the positive cash impact from changes in operating assets and liabilities was an increase in the net loss in 2021 nine-month period compared to the same timeframe in 2020.

The change in net cash used in investing activities for the nine months ended September 30, 2021 compared to net cash provided by investing activities for the same period in 2020 is mainly attributable to the impact of net investments changes (lower purchases and increased maturities of available-for-sale securities, resulting in an overall decrease in investments) for which there is no activity in the comparable current year period. Additionally, purchases of property and equipment were significantly lower in the current period, as the purchases in the 2020 prior year period primarily related to our move to a new R&D facility.

Financing activities for the nine months ended September 30, 2021 and 2020 provided cash of $54.2 million and $10.0 million, respectively. The increase in 2021 compared to 2020 is driven by equity investments from both Seagen and AstraZeneca (see Note 3), higher sales activity under our ATM programs and higher proceeds received from warrant and option exercises. There was limited option exercise activity for the same period in 2020.

In August 2019, we entered into 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 gross sales proceeds of $50.0 million through our 2019 ATM Program, under a shelf registration statement on Form S-3 (File No. 333-226725). Through September 30, 2021, we sold $23.2 million of common shares under the 2019 ATM Program. In August 2021, the 2019 ATM Program expired.

In August 2021, the Company established the 2021 ATM Program under the existing 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 2021 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. For the three months ended September 30, 2021, we sold 4.6 million shares for gross proceeds of $24.0 million under both ATM programs at an average stock price of $5.27. For the nine months ended September 30, 2021, the Company sold 7.6 million shares for gross proceeds of $36.7 million under both ATM programs at an average stock price of $4.86.

Our future success is dependent on our ability to identify and develop our product candidates, expand our corporate infrastructure and, ultimately, upon our ability to attain profitable operations. We have devoted substantially all of our financial resources and efforts to research and development and general and administrative expenses to support such research and development. We have several research and development programs underway in varying stages of development, and we expect that these programs will continue to require increasing amounts of cash for development, conducting clinical trials and testing and manufacturing of product material. Cash necessary to fund operations will increase significantly over the next several years as we continue to conduct these activities necessary to pursue governmental regulatory approval of clinical-stage programs and other product candidates.

Any requirements for additional capital will depend on many factors, including the following:

- 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.

In addition, any unfavorable development or delay in the progress of our core clinical-stage programs including cinrebafusp alfa and PRS-060/AZD1402 could have a material adverse impact on our ability to raise additional capital.

We plan 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 and/or the achievement of milestones under our collaborative agreements. The funding requirements of our operating plans, however, are based on estimates that are subject to risks and uncertainties and may change as a result of many factors currently unknown. Although we continue to

pursue these funding plans, 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. Until such time as we can generate substantial product revenues, if ever, we expect to finance our cash needs through a combination of equity offerings, debt financings, strategic partnerships, licensing arrangements and government grants. The terms of any future financing may adversely affect the holdings or the rights of our existing stockholders.

We believe that our currently available funds will be sufficient to fund our operations through at least the next 12 months from the issuance of this Quarterly Report on Form 10-Q. Our belief with respect to our ability to fund operations is based on estimates that are subject to risks and uncertainties. If actual results are different from our estimates, we may need to seek additional funding. If we are unable to obtain additional funding on acceptable terms when needed, we may be required to defer or limit some or all of our research, development and/or clinical projects.

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, 2020 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, 2020.

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 its 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, which became applicable to us at the time of filing of our annual report for the year ending December 31, 2020.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and such information is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our principal executive officer and principal financial officer have concluded that, based on such evaluation, our disclosure controls and procedures were effective as of September 30, 2021.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting identified in connection with the evaluation of such internal control required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act that occurred during the quarter ended September 30, 2021 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 that arise in the ordinary course of our business activities. 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, 2020, filed with the SEC on March 31, 2021 for risks and uncertainties facing the Company that may have a material adverse effect on the Company's business prospects, financial condition and results of operations. There have been no material changes in the risk factors described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

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+	Employment Agreement by and between Pieris Pharmaceuticals, Inc. and Ahmed Mousa, dated as of October 7, 2021.	*			
10.2+	Employment Agreement by and between Pieris Pharmaceuticals, Inc. and Tom Bures, dated as of October 7, 2021.	*			
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.	*			
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.	**			

Exhibit Number	Exhibit Description		Incorporated by Reference herein from Form or Schedule	Filing Date	SEC File / Registration Number
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.

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

\+ Indicates a management contract or compensatory plan.

SIGNATURES

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

PIERIS PHARMACEUTICALS, INC.

November 2, 2021 By: /s/ Stephen S. Yoder

Stephen S. Yoder
Chief Executive Officer and President
(Principal Executive Officer)

November 2, 2021 By: /s/ Thomas Bures

Thomas Bures
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 10.1

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into by and between **Ahmed Mousa** ("Executive") and **Pieris Pharmaceuticals, Inc.,** a Nevada corporation (the "Company") (together referred to herein as the "Parties"), effective as of October 6, 2021 (the "Effective Date").

RECITALS

WHEREAS, the Company currently employs Executive as Senior Vice President, Corporate Operations, General Counsel and Corporate Secretary, overseeing the legal, intellectual property and quality assurance functions, as well as the Company's Boston facility,

WHEREAS, the Company desires to promote Executive to Chief Business Officer of the Company and employ Executive as Chief Business Officer (in addition to Executive's current roles within the Company described above) and Executive desires to accept such employment, subject to the terms and conditions contained in this Agreement,

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

1. Employment.

(a) Term of Agreement. This Agreement shall become effective on the Effective Date and shall continue unless terminated in accordance with the terms and conditions contained in Sections 3 and 4 of this Agreement (the "Term"). Executive's employment in the new position shall begin on October 7, 2021, unless otherwise agreed to in writing by the Parties (the "Start Date"), and at all times shall be "at-will."

(b) Position and Duties. Subject to the terms and conditions of this Agreement, the Company agrees to employ Executive during the Term as Senior Vice President, Chief Business Officer, General Counsel and Corporate Secretary of the Company and as such Executive shall report to the Chief Executive Officer of the Company. Executive shall perform such duties and bear the responsibilities as are customarily associated with this position as well as such other duties as shall be specified and designated from time to time by the Company's Chief Executive Officer, his designee, and/or the Company's board of directors (the "Board").

(c) Location. Executive may perform services for the Company at any location in the United States; *provided*, *however*, that the Company may from time to time require Executive to travel to other locations in connection with the Company's business on a reasonable basis (including the Company's offices located in Boston, Massachusetts).

(d) Exclusivity.

(i) During the Term, Executive shall devote all of Executive's business time and energies to the business and affairs of the Company and its Affiliates and to the faithful and diligent performance of the duties and responsibilities described herein. During the Term, Executive shall not (A) accept any other employment or consultancy or (B) serve on the board of directors or similar body of any entity, unless such position is approved by the Chief Executive Officer as set forth in subsection (d)(ii) below (which such approval shall continue until such time as the Company provides notice to Executive that, in its reasonable judgment, such position is with a Competing Entity, interferes with Executive's duties to the Company or places Executive in a Competing Position with, or otherwise conflicts with, the interests of the Company, at which time the Company and Executive will discuss such conflict and the parties will use reasonable efforts to reach agreement on its resolution); provided that Executive may engage in civic and not-for-profit activities, so long as such activities, in the aggregate, do not conflict with the interests of the Company or materially interfere with the performance of Executive's duties to the Company and do not otherwise conflict with subsection (d)(ii) below.

(ii) During Executive's employment by the Company, Executive agrees not to acquire, assume or participate in, directly or indirectly, any financial position, investment or interest known by Executive to be adverse or antagonistic to the Company, its business or prospects, financial or otherwise or in any Competing Entity, directly or indirectly; provided, however, Executive may accept equity compensation related to the positions or business activities engaged in which have been approved by the Company pursuant to subsection (d)(i) above. Ownership by Executive, as a passive investment, of less than two percent (2%) of the outstanding shares of capital stock of any corporation with one or more classes of its capital stock listed on a national securities exchange or publicly traded on a national securities exchange or in the over-the-counter market shall not constitute breach of this Section 1(d).

(iii) The Executive hereby represents to the Company that: (A) the execution and delivery of this Agreement by Executive and the Company and the performance by Executive of Executive's duties hereunder do not and shall not constitute a breach of, conflict with, or otherwise contravene or cause a default under, the terms of any other agreement or policy to which Executive is a party or otherwise bound or any judgment, order or decree to which Executive is subject; (B) in entering into this Agreement and carrying out Executive's duties under this Agreement, Executive will not disclose to the Company any trade secret, confidential or proprietary information belonging to any other Person, including any previous employer, and that Executive shall not bring with Executive any such information to the Company; (C) Executive is not bound by any agreement with any previous employer or other party to refrain from competing with the business of, which would be violated by Executive's employment with the Company; and (D) all facts Executive has presented or will present to the Company in connection with entering into this Agreement and an employment relationship with the Company are accurate and true, and this includes all oral and written statements Executive has made to the Company (including, but not limited to, those pertaining to any agreements Executive previously entered into containing restrictive covenants, Executive's prior work experience, and Executive's prior exposure to trade secrets, confidential and proprietary information), and Executive understands that the Company will rely upon the accuracy and truth of the

Executive understands that the Company will rely upon the accuracy and truth of the

representations and warranties of Executive set forth herein and Executive consents to such reliance.

2. Compensation and Related Matters.

(a) Base Salary. Executive's annual base salary ("Base Salary") will be $385,000 in U.S. Dollars, less payroll deductions and all required withholdings, payable in accordance with the Company's normal payroll practices in effect from time to time. The Board or a committee of the Board shall review Executive's Base Salary at least annually to determine if adjustments upward to Executive's Base Salary, if any, will be made solely at the discretion of the Board or a committee of the Board.

(b) Bonus. Executive shall also be eligible for an annual discretionary bonus of up to 40% of Executive's then-current Base Salary (the "Target Bonus Amount") as determined by the Board or a committee of the Board in its sole discretion, based upon the Board's or a committee of the Board's evaluation (in its sole discretion) of the achievement of specific individual and/or Company-wide performance goals as chosen and determined by the Board or a committee of the Board in its sole discretion. The annual discretionary bonus, if any, shall be payable, less authorized deductions and required withholdings, no later than March 15th of the calendar year immediately following the calendar year in which it was earned. The Target Bonus Amount of any annual discretionary bonus for which Executive is eligible shall be reviewed by the Board or a committee of the Board from time to time.

(c) Equity. Executive shall remain subject to the terms of any outstanding equity awards.

(d) Benefits. During the Term, the Company shall provide Executive with coverage under all employee benefit programs, plans and practices as are in effect from time to time, and which the Company makes available from time to time to its senior executive officers, with at least the same opportunity to participate as the other senior executive officers of the Company, including, without limitation, if applicable, retirement, pension, medical, dental, hospitalization, life insurance, short and long term disability, accidental death and dismemberment and travel accident coverage.

(e) Vacation and Fringe Benefits. Executive shall be subject to the Company's Unlimited Paid Time Off Policy, as applicable to all of the other Company employees and as may be amended from time to time.

(f) Business Expenses. During the Term, the Company shall reimburse Executive for all reasonable business expenses incurred in the conduct of Executive's duties hereunder in accordance with the applicable expense reimbursement policies.

(g) Clawback. Any amounts paid pursuant to this Agreement shall be subject to recoupment in accordance with any clawback policy that the Company has adopted or is required in the future to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law.

3. Termination.

(a) At-Will Employment. The Company and Executive acknowledge that Executive's employment is and shall continue to be "at-will," as defined under applicable law. This means that it is not for any specified period of time and can be terminated by any of the parties hereto at any time, with or without advance notice (other than as stated herein), and for any or no particular reason or cause. It also means that Executive's job duties, title and responsibility, compensation and benefits, as well as the personnel policies and procedures in effect, may be changed with prospective effect, with or without notice, at any time in the sole discretion of the Company. This "at-will" nature of Executive's employment shall remain unchanged during Executive's tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized member of the Board. If Executive's employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement.

(b) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its Affiliates, and, at the Company's request, Executive shall execute such documents as are necessary or desirable to effectuate such resignations.

4. Obligations Upon Termination of Employment.

(a) Executive's Obligations.

(i) Notice Period. Anything in this Agreement notwithstanding, Executive may voluntarily terminate Executive's employment hereunder upon not less than sixty (60) days prior written notice of Executive delivered to the Company, or upon such shorter notice as Executive and the Company shall agree.

(ii) Confidentiality. Executive shall not during the Term and thereafter, without the prior written consent of the Company, knowingly (A) divulge, disclose or make accessible any Confidential Information (as defined below) to any other person, firm, partnership, corporation or other entity or (B) use any Confidential Information for Executive's own purposes or for the benefit of any other person, firm, partnership, corporation or other entity (other than the Company), except (x) during the Term, in the business of and for the benefit of the Company or (y) when required to do so by a court of competent jurisdiction, by any governmental agency having supervisory authority over the business of the Company, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Executive to divulge, disclose or make accessible such Confidential Information or by state, federal, foreign or local law, rule or regulation; provided that, in the event that Executive is so required to disclose Confidential Information, Executive shall, prior to making any such disclosure, provide the Company with prompt written notice of such requirement so that the Company may seek an appropriate protective order. For purposes of this Agreement, "Confidential Information" shall mean all confidential Company data, analyses, reports, interpretations, forecasts, documents and information concerning the affairs of the Company and its Affiliates, including, without limitation, confidential financial data, strategic business plans,

computer programs and documentation, product development data (or other proprietary product data), customer lists and customer information, discoveries, practices, policies, processes, methods, marketing plans, prospects, opportunities and other proprietary information and trade secrets in whatever form, tangible or intangible; provided that Confidential Information shall not include (x) information that has become generally available to the public other than as a result of disclosure by Executive in a manner violative of this Section 4, or (y) information that is rightly received by Executive without restriction on disclosure from a third party legally entitled to possess and disclose such information without restriction (other than information that Executive may learn or has learned by reason of his association with any Affiliate). Upon conclusion of the Term or at any point prior on request of the Company, Executive shall immediately return to the Company all Confidential Information, including copies, reproductions and summaries thereof, in Executive's possession and shall erase all such Confidential Information from all media in Executive's possession, and, if the Company so requests, shall certify in writing that Executive has done so. All Confidential Information is and shall remain the property of the Company and its Affiliates.

(iii) Trade Secrets. For purposes of this Agreement, the term "trade secrets" shall be given its broadest possible interpretation under applicable law and shall mean all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing that (A) the Company has taken reasonable measures to keep secret, and that (B) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information.

(iv) Non-Competition. During the Term and twelve (12) months thereafter, Executive agrees that, without the prior written consent of the Board (which the Board may grant or withhold in its discretion): Executive shall not serve in or otherwise occupy a Competing Position at, or have any financial interest in, any Competing Entity, except that Executive's passive ownership of less than two (2%) percent of the stock of a publicly-held corporation whose stock is traded on a national securities exchange shall not, by itself, be deemed a breach of this Section 4(a)(iv). For the avoidance of doubt, nothing in this paragraph shall in any way limit Executive's ability to practice law after termination of Executive's employment with the Company.

(v) Non-Solicitation. During the Term and for twelve (12) months thereafter, Executive agrees that, without the prior written consent of the Board, Executive shall not, on his or her own behalf or on behalf of any person or entity, directly or indirectly, (A) solicit for employment any employee who has been employed by the Company or any Affiliate at any time during the twelve (12) months immediately preceding such solicitation or offer or (B) solicit for the business of or provide services to any client, customer, or vendor of the Company or any Affiliate for which Executive or any subordinate provided services during the Term.

services during the Term.

(vi) Intellectual Property. All Intellectual Property (as defined below) and Technology (as defined below) created, developed, obtained or conceived of by Executive during the Term, and all business opportunities presented to Executive during the Term shall be owned by and belong exclusively to the Company, provided that they directly relate to the business of the Company, as of the date of such creation, development, obtaining or conception, and Executive shall (A) promptly disclose to the Company any such Intellectual Property or Technology or any viable business opportunity presented by a third party to Executive during the Term and which the Company has not rejected and (B) execute and deliver to the Company, without additional compensation, such instruments (such as assignments of any Intellectual Property to the Company) as the Company may require from time to time to evidence its ownership of any such Intellectual Property or Technology or business opportunity. For purposes of this Agreement, (x) the term "Intellectual Property" shall mean and include any and all trademarks, trade names, service marks, service names, patents, copyrights and applications therefor and (y) the term "Technology" shall mean and include any and all trade secrets, proprietary information, inventions, discoveries, know-how, formulae, processes and procedures.

(vii) Non-disparagement. During the Term and at all times thereafter, unless as required by law, including through a valid subpoena, Executive shall not make, or cause to be made, any statement or communicate any information (whether oral or written) that disparages or reflects negatively on the Company or its Affiliates, officers, directors, board members, investors, shareholders, agents or employees.

(viii) Response to Legal Process. During the Term and for twelve (12) months thereafter, Executive may respond to a lawful and valid subpoena or other legal process but shall give the Company the earliest possible notice thereof, and shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought, and shall assist such counsel with his or her reasonable requests in resisting or otherwise responding to such process.

(ix) Notice Pursuant to Defend Trade Secrets Act. Notwithstanding any provision of this Agreement prohibiting the disclosure of trade secrets or other Confidential Information, Executive understands that Executive may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney representing Executive, and (B) solely for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Executive files a lawsuit or other court proceeding against the Company for retaliating against Executive for reporting a suspected violation of law, Executive may disclose the trade secret to the attorney representing Executive and use the trade secret in the court proceeding, so long as Executive files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

(x) Survival of Provisions. The provisions of this Section 4(a) shall survive the termination or expiration of the applicable Executive's employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction

that any restriction in this Section 4(a) is excessive in duration or scope or is unreasonable or unenforceable under the laws of that jurisdiction, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that jurisdiction.

(xi) Injunctive Relief. Executive and the Company agree that the restrictions contained in Sections 4(a) hereof are a reasonable and necessary protection of the immediate interests on the Company, that any violation of these restrictions would cause substantial injury to the Company and that the Company would not have entered into this Agreement without receiving the additional consideration offered by Executive in binding himself to these restrictions. In the event of the breach or threatened breach by Executive of any of such restrictions, the Company shall be entitled to apply to any court of competent jurisdiction for an injunction restraining Executive for such breach or threatened breach, including, but not limited to, a civil seizure order under the Defend Trade Secrets Act; provided that the right of the Company to apply for an injunction shall not be construed as prohibiting the Company from pursuing any other available remedies for such breach or threatened breach. In the event that, notwithstanding the foregoing, a restriction, or any portion thereof, contained in Section 4(a) is deemed to be unreasonable by a court of competent jurisdiction, whether due to the passage of time, change of circumstances or otherwise, Executive and the Company agree that such restriction, or portion thereof, shall be modified in order to make it reasonable and shall be enforced accordingly.

(b) Company's Obligations.

(i) Payments of Accrued Obligations upon Termination of Employment. Upon a termination of Executive's employment for any reason, Executive (or Executive's estate or legal representative, as applicable) shall be entitled to receive, within ten (10) days after the date Executive terminates employment with the Company (or such earlier date as may be required by applicable law): (A) any portion of Executive's Base Salary earned through Executive's termination date not theretofore paid; (B) any expenses owed to Executive under Section 2(f) above; (C) any accrued but unused vacation pay owed to Executive pursuant to Section 2(e) above; and (D) any amount arising from Executive's participation in, or benefits under, any employee benefit plans, programs or arrangements under Section 2(d) above, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements.

(ii) Separation Benefits upon a Covered Termination Other Than During a Change in Control Period. If Executive experiences a Covered Termination at any time other than during a Change in Control Period, and if Executive executes and does not revoke during any applicable revocation period a general release of all claims against the Company and its Affiliates in a form acceptable to the Company (a "Release of Claims") within the sixty (60) day period immediately following Executive's Separation from Service and in compliance with applicable law, following such Covered Termination, then in addition to any accrued obligations payable under Section 4(b)(i) above, the Company shall provide Executive with the following:

(A) Separation Pay. Nine (9) months (the "Separation Pay Period") of Executive's Base Salary in effect as of Executive's termination date (the "Separation Pay"), provided, however, that for a Covered Termination other than during a Change in Control Period, the Separation Pay shall represent seventy-five percent (75%) of Executive's Base Salary. Such amount will be subject to applicable withholdings and payable in twelve equal installments (the "Separation Pay Installments") on the first regular payroll date following the date the Release of Claims becomes effective and irrevocable or if the payment is subject to Section 409A, the date set forth in Section 10 hereof.

(B) Bonus. Any annual discretionary bonus that the Company awarded to Executive in the year prior to the termination but which Company still had not paid to Executive as of the termination date. Such amount will be subject to applicable withholdings and payable in a single lump sum cash payment on the first regular payroll date following the date the Release of Claims becomes effective and irrevocable or if the payment is subject to Section 409A, the date set forth in Section 10 hereof. For the avoidance of doubt, Executive shall not be entitled to a pro-rated bonus for the year of termination.

(C) Equity Awards. With respect to the then outstanding equity awards that remain subject to vesting or other forfeiture restrictions as of the termination date (the "Unvested Awards"), such Unvested Awards shall remain subject to their original vesting schedules.

(D) Continued Healthcare. The Company shall notify Executive of any right to continue group health plan coverage sponsored by the Company or an Affiliate immediately prior to Executive's date of termination pursuant to the provisions of applicable law including, but not limited to, the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"). If Executive elects to receive such continued healthcare coverage, the Company shall directly pay, or reimburse Executive for, the premium for Executive and Executive' s covered dependents, less the amount of Executive's monthly premium contributions for such coverage prior to termination, for the period commencing on the first day of the first full calendar month following the date the Release of Claims becomes effective and irrevocable through the earlier of (i) the last day of the nine (9) full calendar months following the date the Release of Claims becomes effective and irrevocable and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s). Executive shall notify the Company immediately if Executive becomes covered by a group health plan of a subsequent employer. After the Company ceases to pay premiums pursuant to this subsection, Executive may, if eligible, elect to continue healthcare coverage at Executive's expense in accordance the provisions of COBRA or other applicable law.

provisions of COBRA or other applicable law.

(iii) Separation Benefits upon a Covered Termination During a Change in Control Period. If Executive experiences a Covered Termination during a Change in Control Period, and if Executive executes and does not revoke during any applicable revocation period a Release of Claims within a reasonable period of time specified by the Company, following such Covered Termination, then in addition to any accrued obligations payable under Section 4(b)(i) above, the Company shall provide Executive with the following:

(A) Separation Pay. Twelve (12) months of Separation Pay. Such amount will be subject to applicable withholdings and payable in twelve equal installments on the first regular payroll date following the date the Release of Claims becomes effective and irrevocable or if the payment is subject to Section 409A, the date set forth in Section 10 hereof.

(B) Bonus. Executive's Target Bonus Amount in effect as of the termination date; plus any annual discretionary bonus that the Company awarded to Executive in the year prior to the termination but which Company still had not paid to Executive as of the termination date. Such amount will be subject to applicable withholdings and payable in a single lump sum cash payment on the first regular payroll date following the date the Release of Claims becomes effective and irrevocable or if the payment is subject to Section 409A, the date set forth in Section 10 hereof.

(C) Equity Awards. With respect to the Unvested Awards, one-hundred percent (100%) of the Unvested Awards shall, as applicable, vest and have any forfeiture restrictions lapse, as of the date the Release of Claims becomes effective and irrevocable; provided, however, that if the equity award is subject to Section 409A and payable upon vesting or lapse of restriction, as applicable, payment of such equity award shall be made on the date set forth in Section 10 hereof.

(D) Continued Healthcare. The Company shall notify Executive of any right to continue group health plan coverage sponsored by the Company or an Affiliate immediately prior to Executive's date of termination pursuant to the provisions of applicable law including, but not limited to, the provisions of COBRA. If Executive elects to receive such continued healthcare coverage, the Company shall directly pay, or reimburse Executive for, the premium for Executive and Executive' s covered dependents, less the amount of Executive's monthly premium contributions for such coverage prior to termination, for the period commencing on the first day of the first full calendar month following the date the Release of Claims becomes effective and irrevocable through the earlier of (i) the last day of the twelve (12) full calendar months following the date the Release of Claims becomes effective and irrevocable and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s). Executive shall notify the Company immediately if Executive becomes

covered by a group health plan of a subsequent employer. After the Company ceases to pay premiums pursuant to this subsection, Executive may, if eligible, elect to continue healthcare coverage at Executive's expense in accordance the provisions of COBRA or other applicable law.

(iv) No Other Severance. The provisions of this Section 4(b) shall supersede in their entirety any severance payment or other arrangement provided by the Company, including, without limitation, any severance plan of the Company.

(c) Release of Claims. The Company shall provide a form Release of Claims to Executive within five (5) business days of Executive's termination date.

(d) No Requirement to Mitigate; Separation Pay Offset; Survival.

(i) Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment or in any other manner.

(ii) In the case of Covered Termination Other Than During a Change in Control Period under Section 4(b)(ii)(A), if Executive accepts a Bona Fide Offer of Employment (as defined below) from another Person during the Separation Pay Period, Executive shall no longer be entitled to each of the Separation Pay Installments under Section 4(b)(ii)(A). Instead, in addition to the Separation Pay Installments Executive previously paid to Executive (and in lieu of the Separation Pay Installments not yet paid):

(A) If Executive accepts a Bona Fide Offer of Employment on or before the nine (9) month anniversary of the commencement of the Separation Pay Period, then Executive shall be entitled to an amount equal to six (6) months, less the number of Separation Pay Installments previously paid to Executive; or

(B) If Executive accepts a Bona Fide Offer of Employment after the nine (9) month anniversary of the commencement of the Separation Pay Period, then Executive shall not be entitled to receive any further Separation Pay Installments.

For the sake of clarity, under no circumstances shall Executive receive less than nine (9) months of Separation Pay in the case of a Covered Termination Other Than During a Change in Control Period.

(iii) Executive shall notify the Company in writing of Executive's acceptance of a Bona Fide Offer of Employment within two (2) business days of such offer. Executive further agrees that the compensation paid in connection with any such Bona Find Offer of Employment will be negotiated in good faith and as the result of arm's-length bargaining and not with the effect of diminishing the Company's right to reduce the Separation Pay under this Agreement.

(iv) Notwithstanding anything to the contrary in this Agreement, the termination of Executive's employment shall not impair the rights or obligations of any party

of Executive's employment shall not impair the rights or obligations of any party.

5. Limitation on Payments. Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise ("Payment") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Company shall cause to be determined, before any amounts of the Payment are paid to Executive, which of the following alternative forms of payment would maximize Executive's after-tax proceeds: (x) payment in full of the entire amount of the Payment (a "Full Payment"), or (y) payment of only a part of the Payment so that Executive receives that largest Payment possible without being subject to the Excise Tax (a "Reduced Payment"), whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax (all computed at the highest marginal rate, net of the maximum reduction in federal income taxes which could be obtained from a deduction of such state and local taxes), results in Executive's receipt, on an after-tax basis, of the greater amount of the Payment, notwithstanding that all or some portion the Payment may be subject to the Excise Tax.

(a) The independent registered public accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall make all determinations required to be made under this Section 5. If the independent registered public accounting firm so engaged by the Company is serving as accountant or auditor for the individual, group or entity effecting the Change in Control, the Company shall appoint a nationally recognized independent registered public accounting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such independent registered public accounting firm required to be made hereunder.

(b) The independent registered public accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and Executive at such time as requested by the Company or Executive. If the independent registered public accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Payment, it shall furnish the Company and Executive with an opinion reasonably acceptable to Executive that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

6. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Section 6(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7. Notices. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or one day following mailing via Federal Express or similar overnight courier service. In the case of Executive, mailed notices shall be addressed to Executive at Executive's home address that the Company has on file for Executive. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of the Chairman of the Compensation Committee of the Company.

8. Dispute Resolution. To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, Executive's employment, or the termination of Executive's employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in Boston, Massachusetts, conducted by Judicial Arbitration and Mediation Services, Inc. ("JAMS") under the applicable JAMS employment rules. **By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding**. The arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS' arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

9. Miscellaneous Provisions.

(a) Withholdings and Offsets. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. Except as expressly provided for in Section 2(c), this Agreement represents the entire understanding of the parties hereto with respect to the subject matter hereof and supersede all prior arrangements and understandings regarding same, including, without limitation, any severance plan of the Company.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts.

(e) Severability. The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision which most accurately represents the intention of the parties hereto with respect to the invalid or unenforceable term or provision.

(f) Interpretation; Construction. The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but Executive has been encouraged to consult with, and has consulted with, Executive's own independent counsel and tax advisors with respect to the terms of this Agreement. The parties hereto acknowledge that each party hereto and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

(g) Representations; Warranties. Executive represents and warrants that Executive is not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that Executive's execution and performance of this Agreement will not violate or breach any other agreements between Executive and any other person or entity and that Executive has not engaged in any act or omission that could be reasonably expected to result in or lead to an event constituting "Cause" for purposes of this Agreement.

(h) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

10. Section 409A. The intent of the parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date, ("Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If the Company determines that any provision of this Agreement would cause Executive to incur any additional tax or interest under Section 409A (with specificity as to the reason therefor), the Company and Executive shall take commercially reasonable efforts to reform such provision to try to comply with or be exempt from Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A, *provided* that any such modifications shall not increase the cost or liability to the Company. To the extent that any provision hereof is modified in order to comply with or be

exempt from Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Executive and the Company of the applicable provision without violating the provisions of Section 409A.

(a) Separation from Service. Notwithstanding any provision to the contrary in this Agreement, no amount that is subject to Section 409A of the Code shall be payable pursuant to Section 4 unless Executive's termination of employment constitutes a "separation from service" with the Company within the meaning of Section 409A ("Separation from Service") and, except as provided under Section 10(b) of this Agreement, any such amount shall be paid, or in the case of installments, commence payment, on the sixtieth (60^{th}) day following Executive's Separation from Service. Any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the sixtieth (60^{th}) day following Executive's Separation from Service and the remaining payments shall be made as provided in this Agreement.

(b) Specified Employee. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his or her separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (a) the expiration of the six (6)-month period measured from the date of Executive's Separation from Service or (b) the date of Executive's death. Upon the first day of the seventh month following the date of the Executive's separation from service, all payments deferred pursuant to this Section 10(b) shall be paid in a lump sum to Executive, and any remaining payments due under this Agreement shall be paid as otherwise provided herein.

(c) Expense Reimbursements. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A, any such reimbursements payable to Executive pursuant to this Agreement shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(d) Installments. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

11. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Affiliates. "Affiliates" means any of the Company's subsidiaries or joint ventures currently existing or which shall be established during Executive's employment by the Company.

(b) Bona Fide Offer of Employment. "Bona Fide Offer of Employment" means an offer to provide services in any capacity to another Person that during the first twelve (12) months of providing such services shall entitle Executive to earn a base salary that equals or exceeds Executive's annual Base Salary in effect as of his termination date.

(c) Cause. "Cause" means the occurrence of any of the following events, as determined by the Board or a committee designated by the Board, in its sole discretion: (i) Executive's commission of any felony or any crime involving fraud, dishonesty or moral turpitude under the laws of the United States or any state thereof; (ii) Executive's attempted commission of, or participation in, a fraud against the Company; (iii) Executive's material violation of any contract or agreement between Executive and the Company or of any statutory duty owed to the Company, including this Agreement; (iv) Executive's unauthorized use or disclosure of the Company's confidential information or trade secrets; or (v) Executive's gross misconduct.

(d) Change in Control. "Change in Control" means:

Ownership. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities (excluding for this purpose any such voting securities held by the Company or its Affiliates or by any employee benefit plan of the Company) pursuant to a transaction or a series of related transactions which the Board of Directors does not approve; or

Merger/Sale of Assets. (A) A merger or consolidation of the Company whether or not approved by the Board of Directors, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or the parent of such corporation) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity or parent of such corporation, as the case may be, outstanding immediately after such merger or consolidation; or (B) the sale or disposition by the Company of all or substantially all of the Company's assets in a transaction requiring stockholder approval. Notwithstanding the foregoing, a "Change in Control" must also constitute a "change in control event" as defined in Treasury Regulation §1.409A-3(i)(5).

(e) Change in Control Period. "Change in Control Period" means the period beginning with the agreement which if consummated is a Change in Control and ending twelve (12) months after the effective date of a Change in Control.

(f) Covered Termination. "Covered Termination" shall mean the termination of Executive's employment (i) by the Company other than for Cause, or (ii) by Executive for Good Reason.

(g) Competing Entity. "Competing Entity" shall mean any other person or entity engaged or actively planning to be engaged in the business of developing, manufacturing or marketing next generation protein therapeutics for respiratory, autoimmune, or oncology conditions.

(h) Competing Position. "Competing Position" shall mean engaging, directly or indirectly, in any manner or capacity, as adviser, principal, agent, affiliate, promoter, partner, officer, director, employee, stockholder, owner, co-owner, consultant, or member of any association or otherwise, in any Competing Entity.

(i) Good Reason. "Good Reason" means Executive's resignation from all positions he or she then holds with the Company if, without Executive's consent: (i) (A) there is a material diminution in Executive's duties and responsibilities with the Company or in job title; (B) there is a material reduction of Executive's base salary; *provided*, *however*, that a material reduction in Executive's base salary pursuant to a salary reduction program affecting all or substantially all of the employees of the Company and that does not adversely affect Executive to a greater extent than other similarly situated employees shall not constitute Good Reason; or (C) Executive is required to relocate Executive's primary work location to a facility or location that would increase Executive's one-way commute distance by more than fifty (50) miles from Executive's primary work location as of immediately prior to such change, (ii) Executive provides written notice outlining such conditions, acts or omissions to the Company within thirty (30) days immediately following such material change or reduction, (iii) such material change or reduction is not remedied by the Company within thirty (30) days following the Company's receipt of such written notice and (iv) Executive's resignation is effective not later than thirty (30) days after the expiration of such thirty (30) day cure period.

(j) "Person" means without limitation, an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

IN WITNESS HEREOF, the Parties have signed this Agreement as of the date first above written.

PIERIS PHARMACEUTICALS, INC.

_____

By:
Name:
Title:

AHMED MOUSA

_/s/ Ahmed Mousa_____

EXHIBIT 10.2

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into by and between **Tom Bures** ("Executive") and **Pieris Pharmaceuticals, Inc.,** a Nevada corporation (the "Company") (together referred to herein as the "Parties"), effective as of October 6, 2021 (the "Effective Date").

RECITALS

WHEREAS, Company currently employs Executive as Vice President, Finance and Treasurer,

WHEREAS, the Company desires to promote and employ Executive as Senior Vice President, Chief Financial Officer and Treasurer of the Company and Executive desires to accept such employment, subject to the terms and conditions contained in this Agreement,

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

1. Employment.

(a) Term of Agreement. This Agreement shall become effective on the Effective Date and shall continue unless terminated in accordance with the terms and conditions contained in Sections 3 and 4 of this Agreement (the "Term"). Executive's employment shall begin on October 7, 2021, unless otherwise agreed to in writing by the Parties (the "Start Date"), and at all times shall be "at-will."

(b) Position and Duties. Subject to the terms and conditions of this Agreement, the Company agrees to employ Executive during the Term as Senior Vice President and Chief Financial Officer of the Company and as such, Executive shall report to the Chief Executive Officer of the Company. Executive shall perform such duties and bear the responsibilities as are customarily associated with this position as well as such other duties as shall be specified and designated from time to time by the Company's Chief Executive Officer, his or her designee, and/or the Company's board of directors (the "Board").

(c) Location. Executive may perform services for the Company at any location in the United States; *provided*, *however*, that the Company may from time to time require Executive to travel to other locations in connection with the Company's business on a reasonable basis (including the Company's offices located in Boston, Massachusetts).

(d) Exclusivity.

(i) During the Term, Executive shall devote all of Executive's business time and energies to the business and affairs of the Company and its Affiliates and to the faithful and diligent performance of the duties and responsibilities described herein. During the Term, Executive shall not (A) accept any other employment or consultancy or (B) serve on

the board of directors or similar body of any entity, unless such position is approved by the Chief Executive Officer as set forth in subsection (d)(ii) below (which such approval shall continue until such time as the Company provides notice to Executive that, in its reasonable judgment, such position is with a Competing Entity, interferes with Executive's duties to the Company or places Executive in a Competing Position with, or otherwise conflicts with, the interests of the Company, at which time the Company and Executive will discuss such conflict and the parties will use reasonable efforts to reach agreement on its resolution); provided that Executive may engage in civic and not-for-profit activities, so long as such activities, in the aggregate, do not conflict with the interests of the Company or materially interfere with the performance of Executive's duties to the Company and do not otherwise conflict with subsection (d)(ii) below.

(ii) During Executive's employment by the Company, Executive agrees not to acquire, assume or participate in, directly or indirectly, any financial position, investment or interest known by Executive to be adverse or antagonistic to the Company, its business or prospects, financial or otherwise or in any Competing Entity, directly or indirectly; provided, however, Executive may accept equity compensation related to the positions or business activities engaged in which have been approved by the Company pursuant to subsection (d)(i) above. Ownership by Executive, as a passive investment, of less than two percent (2%) of the outstanding shares of capital stock of any corporation with one or more classes of its capital stock listed on a national securities exchange or publicly traded on a national securities exchange or in the over-the-counter market shall not constitute breach of this Section 1(d).

(iii) The Executive hereby represents to the Company that: (A) the execution and delivery of this Agreement by Executive and the Company and the performance by Executive of Executive's duties hereunder do not and shall not constitute a breach of, conflict with, or otherwise contravene or cause a default under, the terms of any other agreement or policy to which Executive is a party or otherwise bound or any judgment, order or decree to which Executive is subject; (B) in entering into this Agreement and carrying out Executive's duties under this Agreement, Executive will not disclose to the Company any trade secret, confidential or proprietary information belonging to any other Person, including any previous employer, and that Executive shall not bring with Executive any such information to the Company; (C) Executive is not bound by any agreement with any previous employer or other party to refrain from competing with the business of, which would be violated by Executive's employment with the Company; and (D) all facts Executive has presented or will present to the Company in connection with entering into this Agreement and an employment relationship with the Company are accurate and true, and this includes all oral and written statements Executive has made to the Company (including, but not limited to, those pertaining to any agreements Executive previously entered into containing restrictive covenants, Executive's prior work experience, and Executive's prior exposure to trade secrets, confidential and proprietary information), and Executive understands that the Company will rely upon the accuracy and truth of the representations and warranties of the Executive set forth herein and the Executive consents to such reliance.

2. Compensation and Related Matters.

2. **Compensation and Related Matters.**

(a) Base Salary. Executive's annual base salary ("Base Salary") will be $370,000 in U.S. Dollars, less payroll deductions and all required withholdings, payable in accordance with the Company's normal payroll practices in effect from time to time. The Board or a committee of the Board shall review Executive's Base Salary at least annually to determine if adjustments upward to Executive's Base Salary, if any, will be made solely at the discretion of the Board or a committee of the Board.

(b) Bonus. Executive shall also be eligible for an annual discretionary bonus of up to 40% of Executive's then-current Base Salary (the "Target Bonus Amount") as determined by the Board or a committee of the Board in its sole discretion, based upon the Board's or a committee of the Board's evaluation (in its sole discretion) of the achievement of specific individual and/or Company-wide performance goals as chosen and determined by the Board or a committee of the Board in its sole discretion. The annual discretionary bonus, if any, shall be payable, less authorized deductions and required withholdings, no later than March 15th of the calendar year immediately following the calendar year in which it was earned. The Target Bonus Amount of any annual discretionary bonus for which Executive is eligible shall be reviewed by the Board or a committee of the Board from time to time.

(c) Equity. Executive shall remain subject to the terms of any outstanding equity awards.

(d) Benefits. During the Term, the Company shall provide Executive with coverage under all employee benefit programs, plans and practices as are in effect from time to time, and which the Company makes available from time to time to its senior executive officers, with at least the same opportunity to participate as the other senior executive officers of the Company, including, without limitation, if applicable, retirement, pension, medical, dental, hospitalization, life insurance, short and long term disability, accidental death and dismemberment and travel accident coverage.

(e) Vacation and Fringe Benefits. Executive shall be subject to the Company's Unlimited Paid Time Off Policy, as applicable to all of the other Company employees and as may be amended from time to time.

(f) Business Expenses. During the Term, the Company shall reimburse Executive for all reasonable business expenses incurred in the conduct of Executive's duties hereunder in accordance with the applicable expense reimbursement policies.

(g) Clawback. Any amounts paid pursuant to this Agreement shall be subject to recoupment in accordance with any clawback policy that the Company has adopted or is required in the future to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law.

3. Termination.

(a) At-Will Employment. The Company and Executive acknowledge that Executive's employment is and shall continue to be "at-will," as defined under applicable law. This means

that it is not for any specified period of time and can be terminated by any of the parties hereto at

any time, with or without advance notice (other than as stated herein), and for any or no particular reason or cause. It also means that Executive's job duties, title and responsibility, compensation and benefits, as well as the personnel policies and procedures in effect, may be changed with prospective effect, with or without notice, at any time in the sole discretion of the Company. This "at-will" nature of Executive's employment shall remain unchanged during Executive's tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized member of the Board. If Executive's employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement.

(b) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its Affiliates, and, at the Company's request, Executive shall execute such documents as are necessary or desirable to effectuate such resignations.

4. Obligations Upon Termination of Employment.

(a) Executive's Obligations.

(i) Notice Period. Anything in this Agreement notwithstanding, Executive may voluntarily terminate Executive's employment hereunder upon not less than sixty (60) days prior written notice of Executive delivered to the Company, or upon such shorter notice as Executive and the Company shall agree.

(ii) Confidentiality. Executive shall not during the Term and thereafter, without the prior written consent of the Company, knowingly (A) divulge, disclose or make accessible any Confidential Information (as defined below) to any other person, firm, partnership, corporation or other entity or (B) use any Confidential Information for Executive's own purposes or for the benefit of any other person, firm, partnership, corporation or other entity (other than the Company), except (x) during the Term, in the business of and for the benefit of the Company or (y) when required to do so by a court of competent jurisdiction, by any governmental agency having supervisory authority over the business of the Company, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Executive to divulge, disclose or make accessible such Confidential Information or by state, federal, foreign or local law, rule or regulation; provided that, in the event that Executive is so required to disclose Confidential Information, Executive shall, prior to making any such disclosure, provide the Company with prompt written notice of such requirement so that the Company may seek an appropriate protective order. For purposes of this Agreement, "Confidential Information" shall mean all confidential Company data, analyses, reports, interpretations, forecasts, documents and information concerning the affairs of the Company and its Affiliates, including, without limitation, confidential financial data, strategic business plans, computer programs and documentation, product development data (or other proprietary product data), customer lists and customer information, discoveries, practices, policies, processes, methods, marketing plans, prospects, opportunities and other proprietary information and trade secrets in whatever form, tangible or intangible; provided that Confidential Information shall not include (x) information that has become generally

available to the public other than as a result of disclosure by Executive in a manner violative of this Section 4, or (y) information that is rightly received by Executive without restriction on disclosure from a third party legally entitled to possess and disclose such information without restriction (other than information that Executive may learn or has learned by reason of Executive's association with any Affiliate). Upon conclusion of the Term or at any point prior on request of the Company, Executive shall immediately return to the Company all Confidential Information, including copies, reproductions and summaries thereof, in Executive's possession and shall erase all such Confidential Information from all media in Executive's possession, and, if the Company so requests, shall certify in writing that Executive has done so. All Confidential Information is and shall remain the property of the Company and its Affiliates.

(iii) Trade Secrets. For purposes of this Agreement, the term "trade secrets," shall be given its broadest possible interpretation under applicable law and shall mean all forms and types of financial, business, scientific, technical, economic, or engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing that (A) the Company has taken reasonable measures to keep secret, and that (B) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information.

(iv) Non-Competition. During the Term and twelve (12) months thereafter, Executive agrees that, without the prior written consent of the Board (which the Board may grant or withhold in its discretion): Executive shall not serve in or otherwise occupy a Competing Position at, or have any financial interest in, any Competing Entity, except that Executive's passive ownership of less than two (2%) percent of the stock of a publicly-held corporation whose stock is traded on a national securities exchange shall not, by itself, be deemed a breach of this Section 4(a)(iv).

(v) Non-Solicitation. During the Term and for twelve (12) months thereafter, Executive agrees that, without the prior written consent of the Board, Executive shall not, on his or her own behalf or on behalf of any person or entity, directly or indirectly, (A) solicit for employment any employee who has been employed by the Company or any Affiliate at any time during the twelve (12) months immediately preceding such solicitation or offer or (B) solicit for the business of or provide services to any client, customer, or vendor of the Company or any Affiliate for which Executive or any subordinate provided services during the Term.

(vi) Intellectual Property. All Intellectual Property (as defined below) and Technology (as defined below) created, developed, obtained or conceived of by Executive during the Term, and all business opportunities presented to Executive during the Term shall be owned by and belong exclusively to the Company, provided that they directly relate to the business of the Company, as of the date of such creation, development, obtaining or conception, and Executive shall (A) promptly disclose to the Company any

such Intellectual Property or Technology or any viable business opportunity presented by a third party to Executive during the Term and which the Company has not rejected and (B) execute and deliver to the Company, without additional compensation, such instruments (such as assignments of any Intellectual Property to the Company) as the Company may require from time to time to evidence its ownership of any such Intellectual Property or Technology or business opportunity. For purposes of this Agreement, (x) the term "Intellectual Property" shall mean and include any and all trademarks, trade names, service marks, service names, patents, copyrights and applications therefor and (y) the term "Technology" shall mean and include any and all trade secrets, proprietary information, inventions, discoveries, know-how, formulae, processes and procedures.

(vii) Non-disparagement. During the Term and at all times thereafter, unless as required by law, including through a valid subpoena, Executive shall not make, or cause to be made, any statement or communicate any information (whether oral or written) that disparages or reflects negatively on the Company or its Affiliates, officers, directors, board members, investors, shareholders, agents or employees.

(viii) Response to Legal Process. During the Term and for twelve (12) months thereafter, Executive may respond to a lawful and valid subpoena or other legal process but shall give the Company the earliest possible notice thereof, and shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought, and shall assist such counsel with his or her reasonable requests in resisting or otherwise responding to such process.

(ix) Notice Pursuant to Defend Trade Secrets Act. Notwithstanding any provision of this Agreement prohibiting the disclosure of trade secrets or other Confidential Information, Executive understands that Executive may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney representing Executive, and (B) solely for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if Executive files a lawsuit or other court proceeding against the Company for retaliating against Executive for reporting a suspected violation of law, Executive may disclose the trade secret to the attorney representing Executive and use the trade secret in the court proceeding, so long as Executive files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

(x) Survival of Provisions. The provisions of this Section 4(a) shall survive the termination or expiration of the applicable Executive's employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction that any restriction in this Section 4(a) is excessive in duration or scope or is unreasonable or unenforceable under the laws of that jurisdiction, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that jurisdiction.

(xi) Injunctive Relief. Executive and the Company agree that the restrictions contained in Sections 4(a) hereof are a reasonable and necessary protection of the immediate interests on the Company, that any violation of these restrictions would cause substantial injury to the Company and that the Company would not have entered into this Agreement without receiving the additional consideration offered by Executive in binding his or her self to these restrictions. In the event of the breach or threatened breach by Executive of any of such restrictions, the Company shall be entitled to apply to any court of competent jurisdiction for an injunction restraining Executive for such breach or threatened breach, including, but not limited to, a civil seizure order under the Defend Trade Secrets Act; provided that the right of the Company to apply for an injunction shall not be construed as prohibiting the Company from pursuing any other available remedies for such breach or threatened breach. In the event that, notwithstanding the foregoing, a restriction, or any portion thereof, contained in Section 4(a) is deemed to be unreasonable by a court of competent jurisdiction, whether due to the passage of time, change of circumstances or otherwise, Executive and the Company agree that such restriction, or portion thereof, shall be modified in order to make it reasonable and shall be enforced accordingly.

(b) Company's Obligations.

(i) Payments of Accrued Obligations upon Termination of Employment. Upon a termination of Executive's employment for any reason, Executive (or Executive's estate or legal representative, as applicable) shall be entitled to receive, within ten (10) days after the date Executive terminates employment with the Company (or such earlier date as may be required by applicable law): (A) any portion of Executive's Base Salary earned through Executive's termination date not theretofore paid; (B) any expenses owed to Executive under Section 2(f) above; (C) any accrued but unused vacation pay owed to Executive pursuant to Section 2(e) above; and (D) any amount arising from Executive's participation in, or benefits under, any employee benefit plans, programs or arrangements under Section 2(d) above, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements.

(ii) Separation Benefits upon a Covered Termination Other Than During a Change in Control Period. If Executive experiences a Covered Termination at any time other than during a Change in Control Period, and if Executive executes and does not revoke during any applicable revocation period a general release of all claims against the Company and its Affiliates in a form acceptable to the Company (a "Release of Claims") within the sixty (60) day period immediately following Executive's Separation from Service and in compliance with applicable law, following such Covered Termination, then in addition to any accrued obligations payable under Section 4(b)(i) above, the Company shall provide Executive with the following:

(A) Separation Pay. Nine (9) months (the "Separation Pay Period") of Executive's Base Salary in effect as of Executive's termination date (the "Separation Pay"), provided, however, that for a Covered Termination other than during a Change in Control Period, the Separation Pay shall represent seventy-five percent (75%) of Executive's Base Salary.

Such amount will be subject to applicable withholdings and payable in equal installments (the "Separation Pay Installments") on the first regular payroll date following the date the Release of Claims becomes effective and irrevocable or if the payment is subject to Section 409A, the date set forth in Section 10 hereof.

(B) Bonus. Any annual discretionary bonus that the Company awarded to Executive in the year prior to the termination but which Company still had not paid to Executive as of the termination date. Such amount will be subject to applicable withholdings and payable in a single lump sum cash payment on the first regular payroll date following the date the Release of Claims becomes effective and irrevocable or if the payment is subject to Section 409A, the date set forth in Section 10 hereof. For the avoidance of doubt, Executive shall not be entitled to a pro-rated bonus for the year of termination.

(C) Equity Awards. With respect to the then-outstanding equity awards that remain subject to vesting or other forfeiture restrictions as of the termination date (the "Unvested Awards"), such Unvested Awards shall remain subject to their original vesting schedules.

(D) Continued Healthcare. The Company shall notify Executive of any right to continue group health plan coverage sponsored by the Company or an Affiliate immediately prior to Executive's date of termination pursuant to the provisions of applicable law including, but not limited to, the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"). If Executive elects to receive such continued healthcare coverage, the Company shall directly pay, or reimburse Executive for, the premium for Executive and Executive's covered dependents, less the amount of Executive's monthly premium contributions for such coverage prior to termination, for the period commencing on the first day of the first full calendar month following the date the Release of Claims becomes effective and irrevocable through the earlier of (i) the last day of the nine (9) full calendar months following the date the Release of Claims becomes effective and irrevocable and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s). Executive shall notify the Company immediately if Executive becomes covered by a group health plan of a subsequent employer. After the Company ceases to pay premiums pursuant to this subsection, Executive may, if eligible, elect to continue healthcare coverage at Executive's expense in accordance the provisions of COBRA or other applicable law.

(iii) Separation Benefits upon a Covered Termination During a Change in Control Period. If Executive experiences a Covered Termination during a Change in Control Period, and if Executive executes and does not revoke during any applicable revocation period a Release of Claims within a reasonable period of time specified by the

Company, following such Covered Termination, then in addition to any accrued obligations payable under Section 4(b)(i) above, the Company shall provide Executive with the following:

(A) Separation Pay. Twelve (12) months of Separation Pay. Such amount will be subject to applicable withholdings and payable in twelve equal installments on the first regular payroll date following the date the Release of Claims becomes effective and irrevocable or if the payment is subject to Section 409A, the date set forth in Section 10 hereof.

(B) Bonus. Executive's Target Bonus Amount in effect as of the termination date; plus any annual discretionary bonus that the Company awarded to Executive in the year prior to the termination but which Company still had not paid to Executive as of the termination date. Such amount will be subject to applicable withholdings and payable in a single lump sum cash payment on the first regular payroll date following the date the Release of Claims becomes effective and irrevocable or if the payment is subject to Section 409A, the date set forth in Section 10 hereof.

(C) Equity Awards. With respect to the Unvested Awards, one-hundred percent (100%) of the Unvested Awards shall, as applicable, vest and have any forfeiture restrictions lapse, as of the date the Release of Claims becomes effective and irrevocable; provided, however, that if the equity award is subject to Section 409A and payable upon vesting or lapse of restriction, as applicable, payment of such equity award shall be made on the date set forth in Section 10 hereof.

(D) Continued Healthcare. The Company shall notify Executive of any right to continue group health plan coverage sponsored by the Company or an Affiliate immediately prior to Executive's date of termination pursuant to the provisions of applicable law including, but not limited to, the provisions of COBRA. If Executive elects to receive such continued healthcare coverage, the Company shall directly pay, or reimburse Executive for, the premium for Executive and Executive' s covered dependents, less the amount of Executive's monthly premium contributions for such coverage prior to termination, for the period commencing on the first day of the first full calendar month following the date the Release of Claims becomes effective and irrevocable through the earlier of (i) the last day of the twelve (12) full calendar months following the date the Release of Claims becomes effective and irrevocable and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s). Executive shall notify the Company immediately if Executive becomes covered by a group health plan of a subsequent employer. After the Company ceases to pay premiums pursuant to this subsection, Executive may, if eligible, elect to continue healthcare coverage at Executive's expense in accordance the provisions of COBRA or other applicable law.

(iv) No Other Severance. The provisions of this Section 4(b) shall supersede in their entirety any severance payment or other arrangement provided by the Company, including, without limitation, any severance plan of the Company.

(c) Release of Claims. The Company shall provide a form Release of Claims to Executive within five (5) business days of Executive's termination date.

(d) No Requirement to Mitigate; Separation Pay Offset; Survival.

(i) Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment or in any other manner.

(ii) In the case of Covered Termination Other Than During a Change in Control Period under Section 4(b)(ii)(A), if Executive accepts a Bona Fide Offer of Employment (as defined below) from another Person during the Separation Pay Period, Executive shall no longer be entitled to each of the Separation Pay Installments under Section 4(b)(ii)(A). Instead, in addition to the Separation Pay Installments Executive previously paid to Executive (and in lieu of the Separation Pay Installments not yet paid):

(A) If Executive accepts a Bona Fide Offer of Employment on or before the nine (9) month anniversary of the commencement of the Separation Pay Period, then Executive shall be entitled to an amount equal to nine (9) months, less the number of Separation Pay Installments previously paid to Executive; or

(B) If Executive accepts a Bona Fide Offer of Employment after the nine (9) month anniversary of the commencement of the Separation Pay Period, then Executive shall not be entitled to receive any further Separation Pay Installments.

For the sake of clarity, under no circumstances shall Executive receive less than nine (9) months of Separation Pay in the case of a Covered Termination Other Than During a Change in Control Period.

(iii) Executive shall notify the Company in writing of Executive's acceptance of a Bona Fide Offer of Employment within two (2) business days of such offer. Executive further agrees that the compensation paid in connection with any such Bona Find Offer of Employment will be negotiated in good faith and as the result of arm's-length bargaining and not with the effect of diminishing the Company's right to reduce the Separation Pay under this Agreement.

(iv) Notwithstanding anything to the contrary in this Agreement, the termination of Executive's employment shall not impair the rights or obligations of any party.

5. Limitation on Payments. Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise ("Payment") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Company shall cause to be determined, before any amounts of the Payment are paid to Executive, which of the following alternative forms of payment would maximize Executive's after-tax proceeds: (x) payment in full of the entire amount of the Payment (a "Full Payment"), or (y) payment of only a part of the Payment so that Executive receives that largest Payment possible without being subject to the Excise Tax (a "Reduced Payment"), whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax (all computed at the highest marginal rate, net of the maximum reduction in federal income taxes which could be obtained from a deduction of such state and local taxes), results in Executive's receipt, on an after-tax basis, of the greater amount of the Payment, notwithstanding that all or some portion the Payment may be subject to the Excise Tax.

(a) The independent registered public accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall make all determinations required to be made under this Section 5. If the independent registered public accounting firm so engaged by the Company is serving as accountant or auditor for the individual, group or entity effecting the Change in Control, the Company shall appoint a nationally recognized independent registered public accounting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such independent registered public accounting firm required to be made hereunder.

(b) The independent registered public accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and Executive at such time as requested by the Company or Executive. If the independent registered public accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Payment, it shall furnish the Company and Executive with an opinion reasonably acceptable to Executive that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

6. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Section 6(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

7. Notices. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or one day following mailing via Federal Express or similar overnight courier service. In the case of Executive, mailed notices shall be addressed to Executive at Executive's home address that the Company has on file for Executive. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of the Chairman of the Compensation Committee of the Company.

8. Dispute Resolution. To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, Executive's employment, or the termination of Executive's employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in Boston, Massachusetts, conducted by Judicial Arbitration and Mediation Services, Inc. ("JAMS") under the applicable JAMS employment rules. **By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding**. The arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS' arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

9. Miscellaneous Provisions.

(a) Withholdings and Offsets. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. Except as expressly provided for in Section 2(c), this Agreement represents the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior arrangements and understandings regarding same, including, without limitation, any severance plan of the Company.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Commonwealth of Massachusetts.

(e) Severability. The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision which most accurately represents the intention of the parties hereto with respect to the invalid or unenforceable term or provision.

(f) Interpretation; Construction. The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but Executive has been encouraged to consult with, and has consulted with, Executive's own independent counsel and tax advisors with respect to the terms of this Agreement. The parties hereto acknowledge that each party hereto and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

(g) Representations; Warranties. Executive represents and warrants that Executive is not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that Executive's execution and performance of this Agreement will not violate or breach any other agreements between Executive and any other person or entity and that Executive has not engaged in any act or omission that could be reasonably expected to result in or lead to an event constituting "Cause" for purposes of this Agreement.

(h) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

10. Section 409A. The intent of the parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date, ("Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If the Company determines that any provision of this Agreement would cause Executive to incur any additional tax or interest under Section 409A (with specificity as to the reason therefor), the Company and Executive shall take commercially reasonable efforts to reform such provision to try to comply with or be exempt from Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A, *provided* that any such modifications shall not increase the cost or liability to the Company. To the extent that any provision hereof is modified in order to comply with or be

exempt from Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Executive and the Company of the applicable provision without violating the provisions of Section 409A.

(a) Separation from Service. Notwithstanding any provision to the contrary in this Agreement, no amount that is subject to Section 409A of the Code shall be payable pursuant to Section 4 unless Executive's termination of employment constitutes a "separation from service" with the Company within the meaning of Section 409A ("Separation from Service") and, except as provided under Section 10(b) of this Agreement, any such amount shall be paid, or in the case of installments, commence payment, on the sixtieth (60^{th}) day following Executive's Separation from Service. Any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the sixtieth (60^{th}) day following Executive's Separation from Service and the remaining payments shall be made as provided in this Agreement.

(b) Specified Employee. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his or her separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (a) the expiration of the six (6)-month period measured from the date of Executive's Separation from Service or (b) the date of Executive's death. Upon the first day of the seventh month following the date of the Executive's separation from service, all payments deferred pursuant to this Section 10(b) shall be paid in a lump sum to Executive, and any remaining payments due under this Agreement shall be paid as otherwise provided herein.

(c) Expense Reimbursements. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A, any such reimbursements payable to Executive pursuant to this Agreement shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(d) Installments. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

11. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Affiliates. "Affiliates" means any of the Company's subsidiaries or joint ventures currently existing or which shall be established during Executive's employment by the Company.

(b) Bona Fide Offer of Employment. "Bona Fide Offer of Employment" means an offer to provide services in any capacity to another Person that during the first twelve (12) months of providing such services shall entitle Executive to earn a base salary that equals or exceeds Executive's annual Base Salary in effect as of Executive's termination date.

(c) Cause. "Cause" means the occurrence of any of the following events, as determined by the Board or a committee designated by the Board, in its sole discretion: (i) Executive's commission of any felony or any crime involving fraud, dishonesty or moral turpitude under the laws of the United States or any state thereof; (ii) Executive's attempted commission of, or participation in, a fraud against the Company; (iii) Executive's material violation of any contract or agreement between Executive and the Company or of any statutory duty owed to the Company, including this Agreement; (iv) Executive's unauthorized use or disclosure of the Company's confidential information or trade secrets; or (v) Executive's gross misconduct.

(d) Change in Control. "Change in Control" means:

Ownership. Any "Person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities (excluding for this purpose any such voting securities held by the Company or its Affiliates or by any employee benefit plan of the Company) pursuant to a transaction or a series of related transactions which the Board of Directors does not approve; or

Merger/Sale of Assets. (A) A merger or consolidation of the Company whether or not approved by the Board of Directors, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or the parent of such corporation) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity or parent of such corporation, as the case may be, outstanding immediately after such merger or consolidation; or (B) the sale or disposition by the Company of all or substantially all of the Company's assets in a transaction requiring stockholder approval. Notwithstanding the foregoing, a "Change in Control" must also constitute a "change in control event" as defined in Treasury Regulation §1.409A-3(i)(5).

(e) Change in Control Period. "Change in Control Period" means the period beginning with the agreement which if consummated is a Change in Control and ending twelve (12) months after the effective date of a Change in Control.

(f) Covered Termination. "Covered Termination" shall mean the termination of Executive's employment (i) by the Company other than for Cause, or (ii) by Executive for Good Reason.

(g) Competing Entity. "Competing Entity" shall mean any other person or entity engaged or actively planning to be engaged in the business of developing, manufacturing or marketing next generation protein therapeutics for respiratory, autoimmune, or oncology conditions.

(h) Competing Position. "Competing Position" shall mean engaging, directly or indirectly, in any manner or capacity, as adviser, principal, agent, affiliate, promoter, partner, officer, director, employee, stockholder, owner, co-owner, consultant, or member of any association or otherwise, in any Competing Entity.

(i) Good Reason. "Good Reason" means Executive's resignation from all positions he or she then holds with the Company if, without Executive's consent: (i) (A) there is a material diminution in Executive's duties and responsibilities with the Company or in job title; (B) there is a material reduction of Executive's base salary; *provided*, *however*, that a material reduction in Executive's base salary pursuant to a salary reduction program affecting all or substantially all of the employees of the Company and that does not adversely affect Executive to a greater extent than other similarly situated employees shall not constitute Good Reason; or (C) Executive is required to relocate Executive's primary work location to a facility or location that would increase Executive's one-way commute distance by more than fifty (50) miles from Executive's primary work location as of immediately prior to such change, (ii) Executive provides written notice outlining such conditions, acts or omissions to the Company within thirty (30) days immediately following such material change or reduction, (iii) such material change or reduction is not remedied by the Company within thirty (30) days following the Company's receipt of such written notice and (iv) Executive's resignation is effective not later than thirty (30) days after the expiration of such thirty (30) day cure period.

(j) "Person" means without limitation, an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

IN WITNESS HEREOF, the Parties have signed this Agreement as of the date first above written.

PIERIS PHARMACEUTICALS, INC.

_____

By:
Name:
Title:

TOM BURES

_/s/_Thomas Bures_____

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: November 2, 2021

/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: November 2, 2021

/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 September 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Dated: November 2, 2021

/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 September 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Dated: November 2, 2021

/s/ Thomas Bures

Thomas Bures

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