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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 10-Q**

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(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, 2017

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

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**PIERIS PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

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

255 State Street, 9th Floor  
Boston, MA  
United States  
(Address of principal executive offices)

02109  
(Zip Code)

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

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

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

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

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 Act). Yes  No

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, as of November 7, 2017 was 44,794,308.

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**PIERIS PHARMACEUTICALS, INC.**  
**FORM 10-Q — QUARTERLY REPORT**  
**FOR THE QUARTERLY PERIOD ENDED September 30, 2017**  
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### **Currency Presentation and Currency Translation**

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

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

Where in this Report we refer to amounts in euros, we have for your convenience also in certain cases provided a conversion of those amounts to U.S. dollars in parentheses. Where the numbers refer to a specific balance sheet account date or financial statement account period, we have used the exchange rate that was used to perform the conversions of 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. \$1.18120 based on Thomson Reuters as of September 30, 2017.

### **Forward Looking Statements**

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

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

You should not place undue reliance on any forward-looking statement, each of which applies only as of the date of this Quarterly Report on Form 10-Q. Before you invest in our securities, you should be aware that the occurrence of the events described in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 30, 2017, 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.

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements.

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 89,921,213	\$ 29,355,528
Accounts receivable	2,537,265	57,582
Prepaid expenses and other current assets	<u>2,817,853</u>	<u>3,259,503</u>
<b>Total current assets</b>	95,276,331	32,672,613
Property and equipment, net	3,455,541	2,264,477
Other non-current assets	129,271	125,741
<b>Total assets</b>	<u>\$ 98,861,143</u>	<u>\$ 35,062,831</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 2,601,736	\$ 2,386,183
Accrued expenses and other current liabilities	5,099,918	3,719,457
Deferred revenues, current portion	<u>31,336,228</u>	<u>2,274,514</u>
<b>Total current liabilities</b>	39,037,882	8,380,154
Deferred revenue, net of current portion	55,221,586	1,409,483
Other long-term liabilities	<u>43,462</u>	<u>46,667</u>
<b>Total liabilities</b>	<u>94,302,930</u>	<u>9,836,304</u>
<b>Stockholders' equity:</b>		
Preferred stock, \$0.001 par value per share, 4,963 shares authorized and 4,963 and 4,963 issued and outstanding at September 30, 2017 and December 31, 2016	5	5
Common stock, \$0.001 par value per share, 300,000,000 shares authorized and 44,704,849 and 43,058,827 issued and outstanding at September 30, 2017 and December 31, 2016	44,705	43,059
Additional paid-in capital	134,803,118	129,349,768
Accumulated other comprehensive loss	(2,487,336)	(1,501,452)
Accumulated deficit	<u>(127,802,279)</u>	<u>(102,664,853)</u>
<b>Total stockholders' equity</b>	<u>4,558,213</u>	<u>25,226,527</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 98,861,143</u>	<u>\$ 35,062,831</u>

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

[Table of Contents](#)**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue	\$ 3,927,204	\$ 785,007	\$ 7,123,362	\$ 3,104,513
Operating expenses				
Research and development	6,259,258	4,621,957	17,014,938	12,781,489
General and administrative	2,852,357	2,341,010	11,189,816	6,677,110
Total operating expenses	9,111,615	6,962,967	28,204,754	19,458,599
Loss from operations	(5,184,411)	(6,177,960)	(21,081,392)	(16,354,086)
Interest income, net	96	—	263	—
Other (expense)/income, net	(1,728,812)	(18,243)	(3,096,890)	113,575
Loss before income taxes	(6,913,127)	(6,196,203)	(24,178,019)	(16,240,511)
Income tax expenses	145,697	—	959,406	—
Net loss	<u>\$ (7,058,824)</u>	<u>\$ (6,196,203)</u>	<u>\$ (25,137,425)</u>	<u>\$ (16,240,511)</u>
Net loss per share				
Basic and diluted	\$ (0.16)	\$ (0.14)	\$ (0.58)	\$ (0.39)
Weighted average number of shares outstanding				
Basic and diluted	44,387,281	43,063,790	43,624,442	41,259,749

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

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)**

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Net loss	\$ (7,058,824)	\$ (6,196,203)	\$ (25,137,425)	\$ (16,240,511)
Other comprehensive (loss)/income components:				
Foreign currency translation	(394,814)	670	(985,885)	(52,530)
Total other comprehensive (loss)/income	(394,814)	670	(985,885)	(52,530)
Comprehensive loss	<u>\$ (7,453,638)</u>	<u>\$ (6,195,533)</u>	<u>\$ (26,123,310)</u>	<u>\$ (16,293,041)</u>

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

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	<b>Nine months ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Operating activities:</b>		
Net loss	\$ (25,137,425)	\$ (16,240,511)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	268,213	175,387
Stock-based compensation	1,962,018	1,426,341
Loss on disposal of fixed assets	87,087	—
Changes in operating assets and liabilities:		
Accounts receivable	(2,336,887)	—
Prepaid expenses and other assets	723,613	(2,161,864)
Deferred Revenue	77,980,688	4,698,803
Accounts payable	(145,232)	3,304,055
Accrued expenses and other current liabilities	1,046,372	1,139,045
Net cash provided by (used in) operating activities	54,448,447	(7,658,745)
<b>Investing activities:</b>		
Purchase of property and equipment	(1,141,727)	(322,706)
Proceeds from sale of property and equipment	10,888	—
Net cash used in investing activities	(1,130,839)	(322,706)
<b>Financing activities:</b>		
Proceeds from exercise of options	366,200	—
Proceeds from exercise of warrants	3,126,778	—
Issuance of Common and Preferred Stock, net of issuance costs	—	15,221,021
Net cash provided by financing activities	3,492,978	15,221,021
Effect of exchange rate change on cash and cash equivalents	3,755,098	(30,993)
Net increase in cash and cash equivalents	60,565,685	7,208,577
Cash and cash equivalents at beginning of year	29,355,528	29,349,124
Cash and cash equivalents at end of year	\$ 89,921,213	\$ 36,557,701
<b>Supplemental cash flow disclosures:</b>		
Property and equipment included in accounts payable	\$ 120,727	\$ 83,435

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

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**1. Interim Consolidated Financial Statements**

The accompanying unaudited interim condensed consolidated financial statements of Pieris Pharmaceuticals, Inc. (“Pieris” or the “Company”) were prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information. All significant intercompany balances and transactions have been eliminated in the consolidation. Certain information and footnotes normally included in financial statement prepared in accordance with U.S. GAAP have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, the statements do not include all of the information and notes required by U.S. GAAP for complete annual consolidated financial statements. It is recommended that these financial statements be read in conjunction with the consolidated financial statements and related footnotes that appear in the Annual Report on Form 10-K of the Company for the year ended December 31, 2016 filed with the SEC on March 30, 2017 (the “2016 Annual Report”).

In the opinion of management, the unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited condensed consolidated financial statements for the year ending December 31, 2016, and all adjustments, including normal recurring adjustments, considered necessary for the fair presentation of the Company’s unaudited interim consolidated financial statements have been included. The results of operations, for the three and nine months ended September 30, 2017, are not necessarily indicative of the results that may be expected for the year ending December 31, 2017 or any future period.

**Use of estimates**

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

**2. Critical Accounting Policies**

**Research and development expenses**

Research and development expenses are charged to the condensed consolidated statement of operations as incurred. Nonrefundable advance payments for research and development goods or services to be received in the future are deferred and capitalized. The capitalized amounts are expensed as the related goods are delivered or the services are performed. Research and development expenses are comprised of costs incurred in performing research and development activities, including salaries and benefits, facilities costs, pre-clinical and clinical costs, contract services, consulting, depreciation and amortization expense, and other related costs. Costs associated with acquired technology, in the form of upfront fees or milestone payments, are charged to research and development expense as incurred.

**Revenue Recognition**

Pieris has entered into several licensing and development agreements with collaboration partners for the development of Anticalin<sup>®</sup> therapeutics against a variety of targets in diseases and conditions. The terms of these agreements contain multiple elements and deliverables, which may include: (i) licenses, or options to obtain licenses, to Pieris’ Anticalin technology and (ii) research activities to be performed on behalf of the collaborative partner. Payments to Pieris, under these agreements, may include upfront fees (which include license and option fees), payments for research 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. Pieris follows the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 605-25, *Revenue Recognition—Multiple-Element Arrangements* (“605-25”) and ASC Topic 605-28, *Revenue Recognition—Milestone Method* (“605-28”) in accounting for these agreements.

Multiple-Element Arrangements

When evaluating multiple-element arrangements, Pieris identifies the deliverables included within the agreement and evaluates which deliverables represent separate units of accounting based on whether the delivered element has stand-alone value to the customer or if the arrangement includes a general right of return for delivered items.

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The consideration received is allocated among the separate units of accounting using the relative selling price method, and the applicable revenue recognition criteria are applied to each of the separate units of accounting. Pieris has used best estimate of selling price (“BESP”) methodology to estimate the selling price for licenses and options to acquire additional licenses to its proprietary technology because Pieris does not have vendor specific objective evidence (“VSOE”) or third-party evidence (“TPE”) of selling price for these deliverables. To determine the estimated selling price of a license to its proprietary technology, Pieris considers market conditions as well as entity-specific factors, including those factors contemplated in negotiating the agreements, terms of previous collaborative agreements, similar agreements entered into by third parties, market opportunity, estimated development costs, probability of success, and the time needed to commercialize a product candidate pursuant to the license. In validating Pieris’ best estimate of selling price, Pieris evaluates whether changes in the key assumptions used to determine the BESP will have a significant effect on the allocation of arrangement consideration among multiple deliverables.

Multiple element arrangements, such as license and development arrangements, are analyzed to determine whether the deliverables, which often include licenses and performance obligations such as research and development services and steering committee services, can be separated or whether they must be accounted for as a combined unit of accounting in accordance with U.S. GAAP. The Company recognizes the arrangement consideration allocated to licenses as revenue upon delivery of the license only if the license has stand-alone value. If the license is considered not to have stand-alone value, the license would then be combined with other undelivered elements into a combined unit of accounting and the license payments and payments for performance obligations would be recognized as revenue when the revenue recognition criteria have been satisfied for the last deliverable within the unit of accounting. In the case of combined units of accounting that include delivered licenses and undelivered services to be provided over time, revenue would be recognized over the estimated period during which services will be provided.

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

The Company recognizes arrangement consideration allocated to each unit of accounting when all of the revenue recognition criteria in ASC 605-25 are satisfied for that particular unit of accounting. For each unit of accounting, the Company must determine the period over which the performance obligations will be performed and revenue will be recognized. Revenue will be recognized using either a proportional performance or straight-line method. The Company recognizes revenue using the proportional performance method, provided the Company can reasonably estimate the level of effort required to complete its performance obligations under an arrangement and such performance obligations are provided on a best-effort basis. Full-time equivalents are typically used as the measure of performance.

If the Company cannot reasonably estimate when its performance obligation either ceases or becomes inconsequential and perfunctory, then revenue is deferred until the Company can reasonably estimate when the performance obligation ceases or becomes inconsequential.

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.

The accounting treatment for options granted to collaborators is dependent upon the nature of the option granted to the collaborative partner. Options are considered substantive if, at the inception of an agreement, Pieris is at risk as to whether the collaborative partner will choose to exercise the option(s) to secure additional goods or services. Factors that are considered in evaluating whether options are substantive include the overall objective of the arrangement, benefit the collaborator might obtain from the agreement without exercising the options, cost to exercise the options relative to the total upfront consideration, and additional financial commitments or economic penalties imposed on the collaborator as a result of exercising the options.

In arrangements where options to obtain additional deliverables are considered substantive, Pieris determines whether the optional licenses are priced at a significant and incremental discount. If the prices include a significant and incremental discount, the option is considered a deliverable in the arrangement. However, if not priced at a discount, the option is not considered a deliverable in the arrangement. When a collaborator exercises an option to acquire an additional license, the exercise fee that is attributed to the additional license and any incremental discount allocated at inception are recognized in a manner consistent with the treatment of up-front payments for licenses (*i.e.*, license and research services). In the event an option expires un-exercised, any incremental discounts deferred at the inception of the arrangement are recognized into revenue upon expiration. For options that are non-substantive, the additional licenses to which the options pertain are considered deliverables upon inception of the arrangement; Pieris applies the multiple-element revenue recognition criteria to determine accounting treatment.

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Payments or reimbursements resulting from Pieris' research and development efforts in multi-element arrangements, in which Pieris' research and development efforts are considered to be a deliverable, are included in allocable consideration and allocated to the units of accounting. These reimbursements are recognized as the services are performed and are presented on a gross basis, so long as there is persuasive evidence of an arrangement, the fee is fixed or determinable, and collection of the related receivable is reasonably assured. Revenue recognized cannot exceed the amount that has been earned and has been billed or is currently billable. Amounts received prior to satisfying the above revenue recognition criteria are recorded as deferred revenue in the accompanying balance sheets.

### Milestone Payments and Royalties

At the inception of each agreement that includes milestone payments, Pieris evaluates whether each milestone is substantive and at risk to both parties on the basis of the contingent nature of the milestone. This evaluation includes an assessment of whether: (a) the consideration is commensurate with either (1) the entity's performance to achieve the milestone, or (2) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone, (b) the consideration relates solely to past performance, and (c) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. Pieris evaluates factors such as scientific, regulatory, commercial, and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone, and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment.

Pieris 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.

For revenues from research, development, and commercial milestone payments, if the milestones are deemed substantive and the milestone payments are nonrefundable, such amounts are recognized entirely upon successful accomplishment of the milestones, assuming all other revenue recognition criteria are met. Milestones that are not considered substantive are accounted for as contingent revenue and will be recognized when achieved to the extent the Company has no remaining performance obligations under the arrangement. Revenues from sales milestone payments are accounted for as royalties and are recorded as revenue upon achievement of the milestone, assuming all other revenue recognition criteria are met. Royalty payments are recognized in revenues based on the timing of royalty payments earned in accordance with the agreements, which typically is the period when the relevant sales occur, assuming all other revenue recognition criteria are met.

## **3. Revenues**

### **General**

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

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

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

Effective September 28, 2017, Roche exercised their option to extend the initial period for the research program until April 30, 2018 and Roche has the option to extend this period until up to August 31, 2018.

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

Pieris recorded \$1.0 million and \$2.8 million in revenue, respectively, for the three months ended September 30, 2017 and the nine months ended September 30, 2017, related to the recognition of the upfront payment associated with the portion of the research collaboration as well as the value of research services provided by Pieris in connection with the ongoing research program. For the three months ended September 30, 2016 and the nine months ended September 30, 2016, Pieris recorded \$0.8 million and \$3.1 million in revenue, related to the recognition of the upfront payment associated with the research collaboration. As of September 30, 2017, and December 31, 2016, deferred revenue, related to Roche collaboration, is 2.0 million and \$3.7 million, respectively.

The Company identified the research and commercial licenses, performance of research and development (“R&D”) services, and participation in the joint research committee as deliverables under the Roche Agreement. For revenue recognition purposes, management determined there are two units of accounting at inception of the agreement representing (i) the research and commercial licenses and the performance of R&D services, and (ii) the participation in the joint research committee. The consideration received has been allocated to the units of accounting and will be recognized on a proportional performance basis as the activities are conducted over the life of the arrangement.

In addition to the upfront payment, related to the Roche Agreement, the Company is eligible to receive research, development, and sales milestone payments up to approximately \$413.5 million, plus royalties on future sales of any commercial products. The total potential milestones are categorized as follows: research and development milestones—\$290.4 million; and sales milestones of \$123.1 million. Management has determined that the development milestones are not substantive as they do not relate solely to past performance of the Company and the Company’s involvement in the achievement is limited to progress reports and other updates. Non-substantive milestones will be recognized when achieved to the extent the Company has no remaining performance obligations under the arrangement.

### Les Laboratoires Servier and Institut de Recherches Internationales Servier

On January 4, 2017, Pieris entered into a License and Collaboration Agreement (“Servier Collaboration Agreement”), and Non-Exclusive Anticalin Platform Technology Agreement (the “License Agreement” and together with the Servier Collaboration Agreement, the “Servier Agreements”) with Les Laboratoires Servier and Institut de Recherches Internationales Servier (collectively “Servier”) pursuant to which Pieris and Servier will initially pursue five bispecific therapeutic programs, led by the PRS-332 program (the “Lead Product”), a PD-1-targeting bispecific checkpoint inhibitor. Pieris and Servier will jointly develop PRS-332 and split commercial rights geographically, with Pieris retaining all commercial rights in the United States and Servier having commercial rights in the rest of the world. Each party is responsible for an agreed upon percentage of shared costs, as set forth in the budget for the joint development plan, and as further discussed below.

Four additional committed programs have been defined, which may combine antibodies from the Servier portfolio with one or more Anticalin proteins based on Pieris’ proprietary platform to generate innovative immuno-oncology bispecific drug candidates (“Collaboration Products”). The Servier Collaboration Agreement may be expanded by up to three additional therapeutic programs. Pieris has the option to co-develop and retain commercial rights in the United States for up to three programs beyond the Lead Product (“Co-Development Collaboration Products”), while Servier will be responsible for development and commercialization of the other programs worldwide (“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 further discussed below.

Co-Development Collaboration Products may be jointly developed, according to a collaboration plan, through marketing approval from the U.S. Food and Drug Administration (“FDA”) or European Medicines Agency (“EMA”). 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 Lead Product, (ii) commercial license for the Lead Product, (iii) individual research licenses for each of the four Collaboration Products, and (iv) individual non-exclusive platform technology licenses for each of the Lead Product and four Collaboration Products. Upon achievement of certain development activities, specified by the collaboration for each Servier Collaboration Agreement, Servier will be granted a development license and a commercial license. For the Lead Product and 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.

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The Servier Agreements will be managed on an overall basis by a joint executive committee (“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 Collaboration Agreement requires the participation of both parties on: (i) a Joint Steering Committee (“JSC”), (ii) a Joint Development Committee (“JDC”), (iii) a Joint Intellectual Property Committee (“JIPC”), and (iv) a Joint Research Committee (“JRC”). The responsibilities of these committees vary, depending on the stage of development and commercialization of the Lead Product and each of the Collaboration Products.

For the Lead Product and Co-Development Collaboration Products, Pieris and Servier are responsible for an agreed upon percent of the shared costs required to develop the products through commercialization. In the event that Pieris fails to exercise their 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. The total potential milestones are categorized as follows: research, development, and commercial milestones – up to €569.0 million; and sales milestones – up to €515.0 million. In addition, Pieris will be entitled to receive tiered royalties up to low double digits on the sales of commercialized products in the Servier territories.

The initial research collaboration term, as it relates to the Lead Product and Collaboration Products, shall continue for three years from the effective date, and may be mutually extended for two one-year terms consecutively applied. The term of the Servier Agreements ends upon the expiration of all Servier’s payment obligations under the respective Servier Agreements.

The term of the individual Servier Agreements end upon the expiration of all of Servier’s payment obligations under such Servier Collaboration Agreement. The Servier Collaboration Agreements may be terminated by Servier for convenience beginning 12 months after their effective date upon 180 days’ notice. The Servier Collaboration Agreements may also be terminated by Servier or Pieris for material breach upon 90 days’ or 120 days’ notice of a material breach, with respect to the Servier Collaboration Agreement and License Agreement, 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 Collaboration Agreement have been followed. The Servier Collaboration 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 License Agreement will terminate upon termination of the Servier Collaboration Agreement, on a product-by-product and/or country-by-country basis.

The Company accounted for the Servier Agreements as a multiple element arrangement under ASC 605-25. The arrangement with Servier contains the following initial deliverables: (i) five non-exclusive platform technology licenses, (ii) development license for the Lead Product, (iii) commercial license for the Lead Product, (iv) research and development services for the Lead Product, (v) participation on each of the committees, (vi) four research licenses for Collaboration Products, and (vii) research and development services for the Collaboration Products. Additionally, as the development and commercial licenses on the four Collaboration Products may be granted at discount in the future, the Company determined such discounts be included as an element of the arrangement at inception.

Management considered whether any of the deliverables could be considered separate units of accounting. The Company determined the licenses granted, at arrangement inception, did not have standalone value from the research and development services to be provided for the Lead Product and Collaboration Products, over the term of the Servier Agreements, due to the specific nature of the intellectual property and knowledge required to perform the research and development services. The Company determined that the participation on the various committees did have standalone value from the delivered licenses as the services could be performed by an outside party.

As a result, management concluded there are ten units of accounting at inception of the agreement: (i) combined unit of accounting representing a non-exclusive platform technology license, commercial license, development license and research and development services for the Lead Product, (ii) four units of accounting each representing a combined non-exclusive platform technology license, research license, and research and development services for each Collaboration Product (iii) one unit of accounting representing the participation of the various governance committees, and (iv) four units of accounting representing the discounts on the development and commercial licenses granted for the Collaboration Products upon the achievement of specified preclinical activities.

The Company determined that neither VSOE nor TPE is available for any of the units of accounting identified at arrangement inception. Accordingly, the selling price of each unit of accounting was developed using BESP. The Company developed its best estimate of selling price 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.

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The Company developed the BESP for committee participation by using management's best estimate of the anticipated participation hours multiplied by a market rate for comparable participants.

The Company developed the BESP for the discounts granted on the licenses by probability weighting multiple cash flow scenarios using the income approach.

Allocable arrangement consideration at inception is comprised of the upfront fee of €30.0 million (approximately \$32.0 million) and was allocated among the separate units of accounting using the relative selling price method.

The amounts allocated to the combined unit of accounting for the Lead Product and four units of accounting for the four 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 agreement for the Lead Product and each of the Co-Developed Collaboration Products may be through approval of certain regulatory bodies; a period which could be many years. The term of the performance at inception of the agreement for each of the other two Servier Worldwide Collaboration Products is approximately two to three years. The amounts allocated to the participation on each of the committees will be recognized ratably over the anticipated performance period over the entirety of the arrangement with Servier. The amounts allocated to the discounts of the development and commercial licenses granted in the future will be recognized upon delivery of each of the licenses assuming no other performance obligations.

Additionally, the Company evaluated payments required to be made between both parties as a result of the shared development costs of the Lead Product and Co-Development 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. Management determined certain research, development and commercial milestones, which may be received under the Servier Agreements, are substantive when the Company is involved in the development and commercialization of the applicable product. Payments related to the achievement of such milestones, if any, will be recognized as revenue when the milestone is achieved. Total potential substantive research, development and commercial milestones are up to € 163.0 million. Research, development, and commercial milestones are deemed non-substantive if they are based solely on the performance of another party. Non-substantive milestones will be treated as contingent revenue and will be recognized when achieved, to the extent the Company has no remaining performance obligations under the arrangement. Milestone payments earned upon the achievement of sales events will be recognized when earned.

The Company will recognize royalty revenue in the period of sale for the related product(s), based on the underlying contract terms, provided that the reported sales are reliably measurable and the Company has no remaining performance obligations, assuming all other revenue recognition criteria are met.

Pieris recorded \$0.5 million and \$1.2 million in revenue, respectively, for the three months ended September 30, 2017 and the nine months ended September 30, 2017, respectively, with respect to the Servier Agreements which includes recognition of the upfront payment received and reimbursement for research and development expenses. No revenue was recorded during the three and nine months ended September 30, 2016. As of September 30, 2017, there is \$3.6 million and \$30.7 million of deferred revenue and non-current deferred revenue, respectively, related to the Servier Agreements.

### ASKA Pharmaceutical Co. Ltd.

On February 27, 2017 the Company entered into an Exclusive Option Agreement (the "ASKA Agreement") with ASKA Pharmaceutical Co., Ltd. ("ASKA") to grant ASKA an option to acquire (1) a non-exclusive license to certain intellectual property rights associated with the Pieris' Anticalin platform ("Licensed Platform IP") and (2) an exclusive license to certain intellectual property rights specifically related to Pieris' PRS-080 Anticalin protein ("Licensed Product IP") in order to develop, manufacture, import, sale, export, and offer for sale and export any pharmaceutical formulation containing PRS-080, the Company's PEGylated Anticalin protein targeting hepcidin ("Licensed Product") in Japan and certain other Asian territories ("Licensed Territory").

ASKA has paid \$2.75 million of an upfront option payment. Pieris is obliged to use commercially reasonable efforts to complete the Phase IIa Study for PRS-080 and to submit to ASKA, in writing, the final results of the study when available. Upon receipt, ASKA will have 60 days to evaluate the results of the Phase IIa Study ("Evaluation Period"). ASKA agreed to notify Pieris, in writing, of its decision to exercise its option to acquire rights to the Licensed Product. In consideration of the licenses granted as part of the Agreement, ASKA will pay an additional license fee. If the Phase IIa Study meets the applicable success criteria and ASKA fails to provide notification that it will exercise its option, ASKA shall pay the Company an additional fee within thirty days of the end of the Evaluation Period (the "Break-Up Fee"). If ASKA exercises the option, ASKA and the Company will enter into a separate definitive arrangement governing the future development and commercialization activities.

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Pieris has an obligation to use all reasonable commercial efforts to complete the Phase IIa Study for the Licensed Product and to submit to ASKA, in writing, the final results of the Phase IIa study. The completed Phase IIa Study represents a deliverable under the arrangement. As the arrangement only contains one deliverable, there is only one unit of accounting to be considered at the inception of the contract. The total allocable arrangement consideration at inception is \$2.75 million and this is allocated to the single unit of accounting. The Company noted that while the completion of the Phase IIa trial requires the completion of a number of actions, the finalization of the data and evaluation of results is of such significance that the value of the Phase IIa study results is realized at this point. As a result, the Company will recognize revenue for this unit of accounting upon delivery of the Phase IIa Study Results to ASKA. Therefore, no revenue in connection with this arrangement was recognized for the three and nine months ended September 30, 2017. As of September 30, 2017, there is \$3.0 million of non-current deferred revenue related to the Company's option agreement with ASKA.

### AstraZeneca AB

On May 2, 2017, Pieris entered into a License and Collaboration Agreement ("AstraZeneca Collaboration Agreement"), and a Non-Exclusive Anticalin Platform Technology License Agreement (the "License Agreement" and together with the AstraZeneca Collaboration Agreement, the "AstraZeneca Agreements") with AstraZeneca AB ("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 (the "AstraZeneca Lead Product"), Pieris and AstraZeneca will also collaborate to progress four additional novel Anticalin proteins against undisclosed targets for respiratory diseases (the "AstraZeneca Collaboration Products" and together with the AstraZeneca Lead Product, the "AstraZeneca Products"). Pieris will be responsible for advancing the AstraZeneca Lead Product into the Phase I trial, with the associated costs funded by AstraZeneca. The parties will collaborate thereafter to conduct a Phase IIa clinical trial in asthma patients, with AstraZeneca continuing to fund development costs. After completion of the Phase IIa trial, Pieris has the option to co-develop the AstraZeneca Lead Product and also has the option to co-commercialize the AstraZeneca Lead Product in the United States. For the four AstraZeneca Collaboration Products, Pieris will be responsible for the initial discovery of the novel Anticalin proteins, after which AstraZeneca will take the lead on continued development. Pieris has the option to co-develop two of these four AstraZeneca Collaboration Products beginning at a pre-defined preclinical stage and would also have the option to co-commercialize these two programs in the United States, while AstraZeneca will be responsible for development and commercialization of the other programs worldwide.

The term of the AstraZeneca Agreement ends upon the expiration of all of AstraZeneca's payment obligations under such AstraZeneca Agreement. The AstraZeneca Collaboration Agreement may be terminated by AstraZeneca in its entirety for convenience beginning 12 months after its effective date upon 90 days' notice or, if Pieris has obtained marketing approval for the marketing and sale of a product, a 180 days' notice. Each program may be terminated at AstraZeneca's option; if any program is terminated by AstraZeneca, Pieris will have full rights to such program. The AstraZeneca Collaboration Agreement may also be terminated by AstraZeneca or Pieris 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 initial 180-day period) and dispute resolution procedures specified in the applicable AstraZeneca 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 the agreement if the other party challenges the validity of patents related to certain intellectual property licensed under the AstraZeneca Agreement, subject to certain exceptions for infringement suits, acquisitions and newly-acquired licenses. The License Agreement 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 the four 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.

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The collaboration will be managed on an overall basis by a 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 that AstraZeneca Agreement, as well as requires participation of both parties on: (i) a JDC and (ii) a Commercialization Committee. The responsibilities of these committees vary, depending on the stage of development and commercialization of each Product.

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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 I trial for the AstraZeneca Lead Product. The Company is also eligible to receive research, development, commercial, sales milestone payments, and royalty payments. The total potential milestones are categorized as follows: research, development, and commercial milestones – up to \$1.1 billion; and sales milestones – up to \$1.0 billion. 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 dependent on Pieris' level of committed investment.

The Company accounted for the AstraZeneca Agreements, as a multiple element arrangement under ASC 605-25. The arrangement with AstraZeneca contains the following initial deliverables: (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, (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, and (x) research services for the AstraZeneca Collaboration Products. 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 be included as an element of the arrangement at inception.

Management considered whether any of the deliverables could be considered separate units of accounting. The Company determined that the licenses granted for the AstraZeneca Lead Product at the inception of the arrangement did not have standalone value from the research services related to the Lead Product and the licenses granted for the AstraZeneca Collaboration Products did not have standalone value from the research services for the AstraZeneca Collaboration Products, due to the specific nature of the intellectual property and knowledge required to perform the services. The Company determined that the licenses granted at the inception of the arrangement did have standalone value from the development and manufacturing services for the AstraZeneca Lead Product and also determined that the participation on the various committees had standalone value as the development and manufacturing services and committee service 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 did not have standalone value from 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 were eleven units of accounting at the inception of the AstraZeneca Agreements: (i) combined unit of accounting representing a non-exclusive platform technology license, research and development license, and commercial licenses for the Lead Product and research services for the AstraZeneca Lead Product, (ii) combined unit of accounting representing development and manufacturing services, and technology transfer services for the AstraZeneca Lead Product, (iii) committee participation, (iv-vii) four units of accounting representing a combined non-exclusive platform technology license, research licenses, and research services for each AstraZeneca Collaboration Product, and (viii-xi) four units of accounting representing the combined commercial licenses granted for the AstraZeneca Collaboration Products and corresponding discounts on the development licenses granted for the AstraZeneca Collaboration Products upon the achievement of specified preclinical activities.

The Company determined that neither VSOE nor TPE is available for any of the units of accounting identified at the inception of the arrangement. Accordingly, the selling price of each unit of accounting was developed using management's BEP. The Company developed the BEP 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 the BEP 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 the BEP for committee participation by using management's best estimate of the anticipated participation hours multiplied by a market rate for comparable participants.

The Company developed the BEP for the commercial licenses and discounts granted on the development licenses by probability weighting multiple cash flow scenarios using the income approach.

Allocable arrangement consideration at inception is comprised of the upfront fee of \$45.0 million and the estimated development and manufacturing services to be reimbursed by AstraZeneca for the Lead Product of \$8.2 million. The aggregate allocable consideration of \$53.2 million is allocated among the separate units of accounting using the relative selling price method.

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The amounts allocated to the unit of accounting for the AstraZeneca Lead Product and four units of accounting for the four 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 development and manufacturing services, and technology transfer services for the AstraZeneca Lead Product will be recognized on a proportional performance basis over the estimated term of development through Phase IIa trial. The amounts allocated to the 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 at the inception of the arrangement is approximately five years. The amounts allocated to the commercial licenses and discounts on the development licenses granted in the future for the AstraZeneca Collaboration Products will be recognized upon delivery of each of the development licenses assuming all other revenue recognition criteria have been met. 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 Pieris 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. Management determined certain of the research, development, and commercial milestones that may be received under the AstraZeneca Agreements are substantive when the Company is involved in the development and commercialization of the applicable AstraZeneca Products. Payment related to achievement of such milestones, if any, will be recognized as revenue when the milestone is achieved. Total potential substantive development milestones range from \$72.2 million to \$611.4 million, dependent on the Company's decision, on a product-by-product basis, whether to co-develop the AstraZeneca Lead Product and AstraZeneca Collaboration Products. Research, development, and commercial, and sales milestones are deemed non-substantive if they are based solely on the performance of another party. Non-substantive milestones will be treated as contingent revenue and will be recognized when achieved to the extent the Company has no remaining performance obligations under the arrangement. Total potential non-substantive research, development, and commercial milestones range from \$366.2 million to \$1.0 billion. The Company may receive lower research, development, and commercial, milestones if the Company chooses to co-develop the Lead Product and/or AstraZeneca Collaboration Products, depending on the level of co-development investment. Total potential sales milestones are up to \$1.0 billion and will be recognized when earned, assuming all other revenue recognition revenue criteria have been met.

The Company will recognize royalty and gross margin share revenue in the period of sale of the related AstraZeneca Product, based on the underlying contract terms, provided that the reported sales are reliably measurable and the Company has no remaining performance obligations, assuming all other revenue recognition criteria are met.

Pieris recorded \$2.5 million and \$3.1 million in revenue for the three and nine months ended September 30, 2017, with respect to the AstraZeneca Agreements, which includes recognition of the upfront payment received and reimbursement for Phase I trial costs. As of September 30, 2017, there is \$25.7 million and \$21.5 million of deferred revenue and non-current deferred revenue, respectively, related to the AstraZeneca Agreements.

#### **4. Income taxes**

During the three months ended September 30, 2017 and the nine months ended September 30, 2017 the Company recorded income tax expenses of 0.1 million and \$1.0 million, respectively, representing an effective tax rate of (3.97%). The income tax expense is related the Company's Australian jurisdiction, net of loss carryforwards, resulting from taxable income from the AstraZeneca Agreements.

#### **5. Net Loss per Share**

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

For all financial statement periods presented, the number of basic and diluted weighted average shares outstanding remained the same as an increase in the number of shares of common stock equivalents for the periods presented would be antidilutive.

For the nine months ended September 30, 2017 and 2016, approximately 0.7 million and 7.4 million weighted average shares, subject to stock options and warrants, respectively, as calculated using the treasury stock method, were excluded from the calculation of diluted weighted average shares outstanding as their effect was antidilutive.

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### 6. Fair Value Measurement

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

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

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

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

For the periods presented, Pieris has no cash equivalents and debt instruments.

All other current assets and current liabilities on our consolidated balance sheets, for the periods presented, approximate their respective carrying amounts.

### 7. Accrued expenses

The Company has recorded the following accrued expenses as of September 30, 2017 and December 31, 2016, respectively:

	September 30, 2017	December 31, 2016
<b>Accrued expenses</b>		
Accrued compensation expense	\$ 1,412,121	\$ 1,198,448
Accrued professional fees	1,208,945	867,969
Accrued R&D fees	932,542	1,040,321
Accrued taxes	1,062,072	—
Accrued audit and tax fees	314,656	454,931
Accrued other	169,582	157,788
<b>Total amount of accrued expenses</b>	<b>\$ 5,099,918</b>	<b>\$ 3,719,457</b>

### 8. Stock-based compensation

#### 2014 Stock Plan

Pieris granted zero and 1,157,734 options to employees, consultants, and directors under its 2014 employee, director, and consultant equity incentive plan, (the “2014 Plan”) during the three and nine months ended September 30, 2016, respectively. The 2014 Plan was terminated on June 28, 2016 when the Company adopted its 2016 employee, director and consultant equity incentive plan, (the “2016 Plan”). Therefore, no options were granted for the three and nine months ended September 30, 2017 under the 2014 Plan.

#### 2016 Stock Plan

In June 2016, the Company adopted the 2016 Plan which provides for the granting of stock options, restricted and unrestricted stock awards, and other stock-based awards to employees of the Company, non-employee directors of the Company, and certain other consultants performing services for the Company as designated by the Compensation Committee of the Board of Directors or the Board of Directors. The vesting periods of equity incentives issued under the 2016 Plan are determined by the Compensation Committee of the Company’s Board of Directors, with stock options generally vesting over a four-year period.

The Company granted 148,306 and 1,407,061 options to employees and directors under the 2016 Plan during the three months ended September 30, 2017 and the nine months ended September 30, 2017, respectively. The Company granted 114,378 options to employees and directors under the 2016 Plan during the three and nine months ended September 30, 2016. As of September 30, 2017, there were 1,951,052 shares available for future grant under the 2016 Plan. The shares available for future grant under the 2016 Plan include 218,467 shares forfeited under the 2016 Plan and 14,958 shares forfeited under the 2014 Plan. These forfeited shares are available for future issuance under the 2016 Plan.

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During the three months ended September 30, 2017, the Company granted an option to purchase 450,000 shares of common stock outside of the Plan to a newly-hired executive officer as an inducement and was material to the executive officer entering into employment with the Company. The compensation expense associated with this inducement option was \$54,270 and is included in general and administrative expense for both, the three and nine months periods ended September 30, 2017.

Stock-based compensation expense was \$0.6 million and \$2.0 million for the three and nine months ended September 30, 2017, respectively. For the three and nine months ended September 30, 2016 stock based compensation expense was \$0.4 million and \$1.4 million, respectively.

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Research and Development	\$ 216,328	\$ 142,254	\$ 573,758	\$ 444,193
General and administrative	433,620	303,859	1,388,260	982,148
<b>Total stock-based compensation expense</b>	<b>\$ 649,948</b>	<b>\$ 446,113</b>	<b>\$ 1,962,018</b>	<b>\$ 1,426,341</b>

There were 95,625 and 110,625 options exercised under the 2014 Plan during the three and nine months ended September 30, 2017 respectively, for which the Company received \$188,250 and \$218,250 in cash. There were 46,930 and 121,392 options exercised under the 2016 Plan during the three and nine months ended September 30, 2017 respectively, for which the Company received zero and \$147,950 in cash. No options were exercised during the 2016 periods.

The Company uses the Black-Scholes option pricing model to determine the estimated fair value for stock-based awards. Option-pricing models require the input of various subjective assumptions, including the option's expected life, expected dividend yield, price volatility, risk free interest rate, and forfeitures of the underlying stock. Accordingly, the weighted-average fair value of the options granted was \$3.34 and \$2.02 for the three months ended September 30, 2017 and the nine months ended September 30, 2017. The weighted-average fair value of the options granted was \$1.05 and \$1.01 for the three months ended September 30, 2016 and the nine months ended September 30, 2016.

The calculation was based on the following assumptions:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Dividend yield	0.0%	0.0%	0.0%	0.0%
Expected volatility	77.34% - 78.89%	74.90% - 75.12%	75.09% - 78.89%	74.90% - 76.00%
Weighted average risk-free interest rate	1.77% - 2.02%	1.25% - 1.35%	1.77% - 2.16%	1.13% - 1.61%
Expected term	5.0 - 5.7 years	5.0 - 5.7 years	5.0 - 5.7 years	5.0 - 5.7 years

Option-pricing models require the input of various subjective assumptions, including the option's expected life and the price volatility of the underlying stock. Pieris' estimated expected stock price volatility is based on the average volatilities of other guideline companies in the same industry. Pieris' expected term of options granted during the three and nine months ended September 30, 2017 and 2016, respectively was derived using the SEC's simplified method. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

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

## 9. Common Stock

The Company has authorized 300,000,000 shares of common stock, \$0.001 par value, per share, of which 44,704,849 shares were issued and outstanding as of September 30, 2017 and 43,058,827 shares were issued and outstanding as of December 31, 2016.

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During the nine months ended September 30, 2017, the Company issued an aggregate of 232,017 shares of common stock upon exercise of stock options, including stock options to purchase 150,000 shares of common stock exercised through net exercise provisions resulting in the issuance of 66,392 shares of common stock and stock options to purchase 165,625 shares of common stock exercised for cash, providing cash proceeds of \$0.4 million. No stock options were exercised during the 2016 period.

During the nine months ended September 30, 2017, the Company issued an aggregate of 1,414,005 shares of common stock due to warrant exercises. Net exercise of 89,330 shares of common stock underlying the warrants resulted in the issuance of 49,127 shares of common stock. Additionally, 1,364,878 were exercised resulting in cash proceeds of \$3.1 million. No warrants were exercised during the 2016 period.

### **10. Private Placement**

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

As a result of the 2016 PIPE, the number of common stock outstanding increased by 3,225,804 shares and the number of Series A convertible preferred stock outstanding increased by 4,963 shares.

### **11. License and Transfer Agreement with Enumeral Biomedical Corporation**

On April 18, 2016, the Company entered into a license and transfer agreement (the "Original Agreement") with Enumeral Biomedical Holdings, Inc. ("Enumeral"), pursuant to which the Company acquired a non-exclusive worldwide license to use specified patent rights and know-how owned by Enumeral to research, develop and market fusion protein. As contemplated by the terms of the Original Agreement, the Company entered into a definitive license and transfer agreement (the "Definitive Agreement") with Enumeral on June 6, 2016, to expand the scope of the Company's option to license additional antibodies from Enumeral. Under the Definitive Agreement, Enumeral has granted Pieris options to license two additional undisclosed Enumeral antibodies (each, a "Subsequent Option"). The Subsequent Options expired, unexercised, on May 31, 2017.

Under the terms of the Original Agreement, the Company agreed to pay Enumeral an upfront license fee of \$250,000 upon signing in April 2016 and subsequently elected to pay a \$750,000 maintenance fee in May 2016. All amounts paid related to the Agreement have been expensed as research and development expense as incurred. The Company incurred zero and \$1.0 million in upfront fees for the three and nine months ended September 30, 2016. No amounts were incurred for the three and nine-month period end September 30, 2017.

### **12. Liquidity and Going Concern**

The Company believes its cash of \$89.9 million, as of September 30, 2017, will be sufficient to fund the Company's current operating plan for at least twelve months from date of filing. The Company may need to raise additional funds in order to execute the current operating plan in the future. There can be no assurance that the Company will be able to obtain future additional debt, equity financing, or generate product revenue or revenues from collaborative partners, on terms acceptable to the Company, on a timely basis or at all. The failure of the Company to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on the Company's business, results of operations, and financial condition.

### **13. Recent Accounting Pronouncements**

The Company, an emerging growth company ("EGC"), has elected to take advantage of the benefits of the extended transition period provided for in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards which allows the Company to defer adoption of certain accounting standards until those standards would otherwise apply to private companies.

#### Standards not yet adopted

In May 2014, the FASB issued Accounting Standard Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). Subsequently, the FASB also issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which adjusted the effective date of ASU 2014-09; ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which amends the principal-versus-agent implementation guidance and illustrations in ASU 2014-09; ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarifies identifying performance obligation and licensing implementation guidance and illustrations in ASU 2014-09; and ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, which addresses implementation issues and is intended to reduce the cost and complexity of applying the new revenue standard in ASU 2014-09 (collectively, the "Revenue ASUs").

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The Revenue ASUs provide an accounting standard for a single comprehensive model for use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The accounting standard is effective, for public EGC companies like the Company, for interim and annual periods beginning after December 15, 2018, with an option to early adopt for interim and annual periods beginning after December 15, 2017. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (the full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). The Company is in the process of determining the date and method of adoption and the impact of the Revenue Recognition ASUs on its financial statements.

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

In May 2017, the FASB issued ASU No. 2017-09, *Compensation – Stock compensation (Topic 718) (“ASU 2017-09”)*. The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. This ASU will be effective for the Company’s fiscal year beginning January 1, 2018, and the Company is currently evaluating the potential impact adoption will have on its financial statements.

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

## **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, 2016, and the related Management’s Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on March 30, 2017. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth under the caption “Risk Factors” in the Annual Report on Form 10-K for the year ended December 31, 2016.*

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

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

## **Company Overview**

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

Each of our development programs focus on the following:

- *300-Series oncology drug candidates* are multispecific Anticalin-based proteins designed to engage immunomodulatory targets and consist of a variety of multifunctional biotherapeutics that genetically link antibody with one or more Anticalin proteins, thereby constituting a multispecific protein;
- *PRS-343*, our lead immune-oncology program is a 4-1BB/HER2 targeting bispecific, comprised of an anti-HER2 antibody genetically linked to a 4-1BB-targeting Anticalin protein, in which tumor-targeted drug clustering mediated by HER2 expressed on certain solid tumors is intended to drive tumor localized T-cell activation for which standard treatment options are not available, are no longer effective, are not tolerated, or the patient has refused standard therapy.

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- *PRS-332* is a bispecific Anticalin-antibody fusion protein comprising an anti-PD-1 antibody genetically fused to an Anticalin protein targeting an undisclosed checkpoint target. In order to improve on existing PD-1 therapies, we are developing PRS-332 with the intent to simultaneously block PD-1 and another immune checkpoint co-expressed on exhausted T cells.
- In connection with our efforts to develop multispecific Anticalin-based proteins designed to engage immunomodulatory targets, during the second quarter, the Company entered into a License and Transfer Agreement with Sichuan Kelun-Biotech Biopharmaceutical Co. Ltd. (“Kelun”). Under that Agreement, Kelun has granted to the Company a non-exclusive worldwide license (with the right to sublicense) under certain intellectual property owned or controlled by Kelun to research, develop, manufacture, and commercialize bi- and multi- specific fusion proteins that include a monoclonal antibody developed by Kelun specific for an undisclosed target and one or more Anticalin proteins.
- *PRS-060* is an inhaled Anticalin protein that binds to the IL-4 receptor alpha, thereby inhibiting the signaling of IL-4 and IL-13, two cytokines, small proteins mediating signaling between cells within the human body, known to be key mediators in the inflammatory cascade that causes asthma and other inflammatory diseases.
- *PRS-080* is an Anticalin protein that binds to hepcidin, a natural regulator of iron in the blood. PRS-080 has been designed to target hepcidin for the treatment of functional iron deficiency (“FID”) in anemic patients with chronic kidney disease (“CKD”) particularly in end-stage renal disease patients requiring dialysis.

Our key programs are in varying stages:

- *PRS-343*—We filed an investigational new drug application (“IND”) for our lead immuno-oncology drug candidate, PRS-343, and FDA has accepted that IND. The Company has commenced dosing the first patient in a Phase I study in HER2-positive solid tumors.
- Other PRS-300 Series—We are conducting activities relating to lead candidate identification, lead candidate optimization, preclinical evaluation, or IND filing preparation on several of our other 300-Series (immuno-oncology) candidate drugs, including the lead product in our collaboration with Servier, PRS-332, and have initiated activities for two Servier collaboration programs beyond PRS-332.
- *PRS-060*—In collaboration with AstraZeneca, Pieris plans, as trial sponsor, to initiate and dose healthy subjects in the fourth quarter of 2017 in a single ascending dose trial followed by a multi-ascending dose trial under a clinical trial notification to the Therapeutic Goods Administration in Australia. The dosing of the first subject will trigger a milestone payment of \$12.5 million by AstraZeneca to Pieris.
- *PRS-080*—We completed a Phase I single-ascending dose (“SAD”) clinical trial with PRS-080 in healthy volunteers in 2015. Based on the data we obtained in the Phase I clinical trial, we initiated a SAD Phase Ib clinical study in CKD5 patients requiring hemodialysis. We completed that Phase Ib study and presented the results in June 2017, which reflected that intravenous administration of PRS-080 was both safe and well-tolerated at all doses, and resulted in a profound decrease in free hepcidin within one hour after infusion, followed by robust mobilization of serum iron, with dose-proportional increases in both the level and duration of serum iron concentration and transferrin saturation following treatment. The Company filed clinical trial applications (“CTA”s) with the German and Czech Republic regulatory authorities to conduct a multi-dose Phase IIa trial for PRS-080 in FID anemia patients in a randomized placebo-controlled trial with two dose cohorts of 4 mg per kg and 8 mg per kg body weight, with 4 patients receiving drug at each dosage level and 2 patients on placebo within each cohort. The Company has initiated enrollment of patients for this study and ASKA has the option, following completion of this trial, to obtain an exclusive license to develop and commercialize PRS-080 in Japan, South Korea, and certain other Asian markets (excluding China).

Our core Anticalin technology and platform was developed in Germany, and we have partnership arrangements with major multi-national pharmaceutical companies headquartered in the United States, Europe and Japan and with regional pharmaceutical companies headquartered in India. These include existing agreements with Daiichi Sankyo, and Sanofi, pursuant to which our Anticalin platform has consistently achieved its development milestones. Furthermore, we established a collaboration with Roche in December 2015, a collaboration with Servier in January 2017, and a collaboration with AstraZeneca in May 2017. We have discovery and preclinical collaboration and service agreements with both academic institutions and private firms across the globe.

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 months ended September 30, 2017 and the nine months ended September 30, 2017 we reported a net loss of \$7.1 million and \$25.1 million, respectively. For the three months ended September 30, 2016 and the nine months ended September 30, 2016 we reported a net loss of \$6.2 million and \$16.2 million, respectively. As of September 30, 2017, we have an accumulated deficit of \$127.8 million.

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

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

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

### **Financial Operations Overview**

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

#### ***Revenues***

We have not generated any revenues from product sales to date, and we do not expect to generate revenues from product sales for the foreseeable future. Our revenues for the last two years have been primarily from the license and collaboration agreements with AstraZeneca, Servier, Roche, and Daiichi Sankyo.

The revenues from our collaborations historically have been comprised primarily of upfront payments, research and development services and, to a lesser extent, milestone payments. We recognized revenues from upfront payments under these agreements in accordance with multiple-element arrangement guidance as we have determined that the delivered licenses to which the payments related did not have standalone value from the other elements of the arrangement. Research service revenue is recognized when the costs are incurred and the services have been performed. For revenues from research, development, commercial, and sales milestone payments, if the milestones are deemed substantive and the milestone payments are nonrefundable, such amounts are recognized entirely upon successful accomplishment of the milestones, assuming all other revenue recognition criteria are met. Milestones that are not considered substantive are accounted for as contingent revenue and will be recognized when achieved to the extent the Company has no remaining performance obligations under the arrangement. Revenues from sales milestone payments are accounted for as royalties and are recorded as revenue upon achievement of the milestone, assuming all other revenue recognition criteria are met. Royalty payments are recognized in revenues based on the timing of royalty payments earned in accordance with the agreements, which typically is the period when the relevant sales occur, assuming all other revenue recognition criteria are met.

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

### **Research and Development Expenses**

The process of researching and developing drugs for human use is lengthy, unpredictable, and subject to many risks. We expect to continue incurring substantial expenses for the next several years as we continue to develop our clinical and preclinical drug candidates and programs. We are unable, with any certainty, to estimate either the costs or the timelines in which those costs will be incurred. Our current development plans focus on the following activities: Our PRS 300-series, which is a franchise currently comprised of the PRS-343 and PRS-332 programs as well as multiple additional programs with Servier, PRS-080, and PRS-060. 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 our Anticalin drug candidates and are comprised of:

- internal recurring costs, such as labor and fringe benefits, materials and supplies, facilities and maintenance costs; and

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- fees paid to external parties who provide us with contract services, consulting services, such as preclinical testing, manufacturing and related testing, and clinical trial activities.

### General and Administrative Expenses

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

### Results of Operations

#### Comparison of the three and nine months ended September 30, 2017 and September 30, 2016

The following table sets forth our revenues and operating expenses for the three months ended September 30, 2017 and 2016, respectively (in thousands):

	Three months ended September 30, 2017	Three months ended September 30, 2016
Revenues	\$ 3,927	\$ 785
Research and development expenses	6,259	4,622
General and administrative expenses	2,852	2,341
Non-operating expense (income), net	1,729	18
Income tax expense	146	—
Net loss	\$ 7,059	\$ 6,196

The following table sets forth our revenues and operating expenses for the nine months ended September 30, 2017 and 2016, respectively (in thousands):

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenues	\$ 7,123	\$ 3,105
Research and development expenses	17,015	12,782
General and administrative expenses	11,190	6,677
Non-operating expense (income), net	3,097	(114)
Income tax expense	959	—
Net loss	\$ 25,138	\$ 16,240

### Revenues

The following table provides a comparison of revenues for three months ended September 30, 2017 and 2016, respectively (in thousands):

	Three months ended September 30, 2017	Three months ended September 30, 2016	\$ Change	% Change
Collaboration arrangements	\$ 3,650	\$ 490	\$ 3,160	645%
Research and development services	263	295	(32)	(11%)
Other	14	—	14	100%
<b>Total Revenue</b>	<b>\$ 3,927</b>	<b>\$ 785</b>	<b>\$ 3,142</b>	<b>400%</b>

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- The \$3.2 million increase in revenues from collaboration arrangements in the three months ended September 30, 2017 compared to the three months ended September 30, 2016 relates to the recognition of revenue under our collaboration with AstraZeneca which commenced in May 2017 and recognition of revenue under our collaboration with Servier, which commenced in January 2017. These amounts are offset by slightly lower revenues under our collaboration with Roche due to less full-time equivalents used in the third quarter of 2017 compared to the third quarter of 2016.
- The slight decrease in revenues from research and development services in the three months ended September 30, 2017 compared to the three months ended September 30, 2016 relates to fewer research and development services being provided to Roche pursuant to the Roche collaboration agreement.

The following table provides a comparison of revenues for nine months ended September 30, 2017 and 2016, respectively (in thousands):

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	\$ Change	% Change
Collaboration arrangements	\$ 6,166	\$ 2,033	\$ 4,133	203%
Research and development services	943	1,072	(129)	(12%)
Other	14	—	14	100%
<b>Total Revenue</b>	<b>\$ 7,123</b>	<b>\$ 3,105</b>	<b>\$ 4,018</b>	<b>129%</b>

- The \$4.1 million increase in revenues from collaboration arrangements in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 relates to the recognition of revenue under our collaboration with AstraZeneca, which commenced in May 2017 and recognition of revenue under our collaboration with Servier, which commenced in January 2017..
- The \$0.1 million decrease in revenues from research and development services in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 relates to fewer research and development services being provided to Roche pursuant to the Roche collaboration agreement.

### *Research and Development expenses*

The following table provides a comparison of research and development expenses for our drug candidates and projects for the three months ended September 30, 2017 and 2016, respectively (in thousands):

	Three months ended September 30,		\$- Change	%-Change
	2017	2016		
PRS-300 series	\$ 525	\$ 2,281	\$(1,756)	(77%)
PRS-060	1,676	405	1,271	314%
PRS-080	824	388	436	112%
Non-core research and development activities	3,234	1,548	1,686	109%
<b>Total</b>	<b>\$ 6,259</b>	<b>\$ 4,622</b>	<b>\$ 1,637</b>	<b>35%</b>

Total research and development expenses were \$6.3 million for the three months ended September 30, 2017 as compared to \$4.6 million for the three months ended September 30, 2016.

The increase in total research and development expenses in the three months ended September 30, 2017 compared to the three months ended September 30, 2016 is primarily due to:

- the \$1.8 million decrease for our PRS-300 series is generally attributable to CMC and preclinical costs in our lead immunology drug candidate, PRS-343, during the 2016 period, which were not necessary in the 2017 period due to the commencement of dosing first patient in a Phase I study in HER2-positive solid tumors;
- the \$1.3 million increase for our PRS-060 program is mainly due to increases of \$0.5 million in our preclinical, CMC and clinical costs, \$0.4 million related to toxicology studies, and \$0.1 million in other consulting costs. Further, in the three months ended September 30, 2016 we recorded a \$0.3 million tax credit in connection with our PRS-060 program and no tax credit was recorded in the 2017 period;

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- the \$0.4 million increase for PRS-080 is mainly due to preclinical and clinical costs related to the preparation of the Phase IIa study we initiated in the third quarter of 2017;
- the \$1.7 million increase in non-core research and development activities is mainly due to increases of \$0.6 million in payroll expenses, including bonus payments, \$0.6 million for preclinical and CMC costs, \$0.2 million for general lab costs and \$0.3 million for other costs, such as recruiting, travel, and legal.

The following table provides a comparison of the research and development expenses for our drug candidates and projects for the nine months ended September 30, 2017 and 2016, respectively (in thousands):

	Nine months ended September 30,		\$- Change	% -Change
	2017	2016		
PRS-300 series	\$ 3,136	\$ 4,458	\$(1,322)	(30%)
PRS-060	3,790	1,311	2,479	189%
PRS-080	1,727	960	767	80%
Non-core research and development activities	8,362	6,052	2,310	38%
<b>Total</b>	<b>\$ 17,015</b>	<b>\$ 12,781</b>	<b>\$ 4,234</b>	<b>33%</b>

Total research and development expenses were \$17.0 million for the nine months ended September 30, 2017 as compared to \$12.8 million for the nine months ended September 30, 2016.

This increase in total research and development expenses in the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 is primarily due to:

- the \$1.3 million decrease in our PRS-300 series period-over-period is due to a \$1.7 million decrease in CMC costs and \$0.6 million decrease in preclinical costs, partially, offset by increased clinical costs of \$0.6 million in connection with our PRS-343 program. In addition, personnel related expenses increased \$0.2 million, general lab supplies increased \$0.1 million and other costs increased \$0.1 million;
- the \$2.5 million increase for our PRS-060 program period-over-period is due to increases of \$0.6 million in our preclinical, CMC and clinical costs, \$0.5 million for toxicology studies, \$0.4 million for license fees to TUM, and an additional \$0.2 million for professional services. In addition, we recorded \$0.8 million R&D tax credit, in connection with our PRS-060 program, in the first nine months of 2016 and no tax credit was recorded in the 2017 period;
- the \$0.8 million increase for PRS-080 period-over-period is mainly due to higher clinical costs related to the Phase IIb study and preparation of the Phase IIa study which we initiated in the third quarter of 2017;
- the \$2.3 million increase in non-core research and development activities is mainly due to increases of \$1.2 million of personnel expenses including bonus and stock compensation, \$1.0 million in preclinical and CMC costs, \$0.5 million in general lab supplies and DNA expenses, and an additional \$0.9 million for other costs including travel, legal, maintenance and recruiting expenses. These amounts are offset by \$1.0 million in license fees we paid to Enumeral we paid in the second quarter of 2016 and a \$0.3 million license fee to TUM in connection with the Roche collaboration agreement in the first quarter of 2016.

### *General and Administrative expenses*

General and administrative expenses were \$2.9 million for the three months ended September 30, 2017 compared to \$2.3 million for the three months ended September 30, 2016. The period-over-period increase includes \$0.4 million increase in personnel related costs, \$0.2 million increase in professional services, \$0.1 million increase in recruiting expenses, and \$0.2 million increase in other general and administrative expenses, partially offset by a \$0.1 million decrease in legal fees and \$0.2 million decrease in expenses related to being a public company.

General and administrative expenses were \$11.2 million for the nine months ended September 30, 2017 compared to \$6.7 million for the nine months ended September 30, 2016. The period-over-period increase is largely due to an additional \$3.1 million increase in professional services including \$2.6 million of transaction fees for our license and collaboration agreements with AstraZeneca, Servier and ASKA. Further, our personnel costs increased \$1.2 million period-over-period and other general and administrative expenses increased by \$0.6 million. These increased general and administrative expenses were partially offset by a \$0.4 million decrease in legal fees.

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### *Non-operating expense (income), net*

Our non-operating expense was \$1.7 million for three months ended September 30, 2017 as compared to approximately \$18,000 of non-operating expense for the three months ended September 30, 2016. This increase in expense is mainly a result of net foreign currency transaction losses due to the strengthening of the euro against the U.S. dollar, including foreign currency revaluations of monetary assets.

Our non-operating expense was \$3.1 million for nine months ended September 30, 2017 as compared to a net non-operating income of \$0.1 million for the nine months ended September 30, 2016. This increase in expense is mainly a result of net foreign currency transaction losses due to the strengthening of the euro against the U.S. dollar, including foreign currency revaluations of monetary assets.

### *Income tax expense*

Income tax expense was \$0.1 million for the three months ended September 30, 2017 as compared to zero income tax expense for the three months ended September 30, 2016. The increase in income tax expense is related to our Australian jurisdiction, net of loss carryforwards, resulting from taxable income from the AstraZeneca agreement.

Income tax expense was \$1.0 million for nine months ended September 30, 2017 as compared to zero income tax expense for the nine months ended September 30, 2016. The increase in income tax expense is related our Australian jurisdiction, net of loss carryforwards, resulting from taxable income from the AstraZeneca agreement.

## **Liquidity and Capital Resources**

Through September 30, 2017, we have funded our operations with \$279.0 million of cash, obtained principally from the following sources: \$121.4 million from sales of equity; \$136.8 million in total payments received under license and collaboration agreements, including \$14.1 million for research and development services costs received from our collaboration partners; \$14.2 million from government grants and \$6.5 million from loans.

As of September 30, 2017, we had a total of \$89.9 million in cash. We have incurred losses in nearly every period since inception including the three and nine months ended September 30, 2017 and have a total accumulated deficit of \$127.8 million as of September 30, 2017.

We have several research and development programs underway in varying stages of development and we expect they will continue to require increasing amounts of cash for development, conducting clinical trials, and testing and manufacturing of product material. As we continue to conduct these activities necessary to pursue governmental regulatory approval of our 300-Series programs PRS-343 and PRS-332, and PRS-080 and PRS-060, and our other product candidates, we expect cash necessary to fund operations will increase significantly over the next several years.

The following table provides a summary of operating, investing, and financing cash flows for the nine months ended September 30, 2017 and nine months ended September 30, 2016:

	<b>Nine months ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
Net cash provided by(used in) operating activities	\$ 54,448,447	\$ (7,658,745)
Net cash used in investing activities	(1,130,839)	(322,706)
Net cash provided by financing activities	3,492,978	15,221,021

Net cash provided by operating activities of \$54.4 million for the nine months ended September 30, 2017 is comprised principally of operating expenses of \$29.0 million, offset by aggregate receipts of \$82.7 million from Astra Zeneca, Servier, ASKA, and Roche and an increase in net working capital of \$0.7 million. Net cash used in operating activities was \$7.7 million for the nine-months ended September 30, 2016, comprised principally of operating expenses amounting to \$17.7 million offset by aggregate receipts of \$7.8 million from Roche and Daiichi and an increase in net working capital of \$2.3 million.

Net cash used in investing activities for the nine-month periods ended September 30, 2017 and 2016 are attributable to purchases of property and equipment.

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Net cash provided by financing activities was \$3.5 million for the nine-months ended September 30, 2017. During the first nine months of 2017, we issued an aggregate of 1,414,005 shares of common stock upon exercise of warrants, including: (a) warrants to purchase 89,330 shares of common stock exercised through net exercise provisions resulting in the issuance of 49,127 shares of common stock and (b) warrants to purchase 1,364,878 shares of common stock exercised for cash, providing cash proceeds of \$3.1 million. In addition, we issued an aggregate of 232,017 shares of common stock upon exercise of stock options, including: (a) stock options to purchase 150,000 shares of common stock exercised through net exercise provisions resulting in the issuance of 66,392 shares of common stock and (b) stock options to purchase 165,625 shares of common stock exercised for cash, providing cash proceeds of \$0.4 million. Net cash provided by financing activities was \$15.2 million for the nine months ended September 30, 2016.

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

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

In August 2016, our shelf registration statement in the amount of \$100 million was declared effective by the SEC. This registration allows us to offer for sale various unspecified classes of equity and debt securities. As circumstances warrant, we may issue debt and/or equity securities from time to time on an opportunistic basis, dependent upon market conditions and available pricing. We make no assurance that we can issue and sell such securities on acceptable terms or at all. The Sales agreement with Cowen and Company, LLC we entered into October 2016 to establish an at-the-market equity offering program (“ATM”) was cancelled on February 7, 2017. Due to the often-volatile nature of the financial markets, equity and debt financing may be difficult to obtain. In addition, any unfavorable development or delay in the progress of our 300-Series programs PRS-343 and PRS-332, and PRS-080 and PRS-060 could have a material adverse impact on our ability to raise additional capital.

We may seek to raise any necessary additional capital through a combination of private or public equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and other marketing and distribution arrangements. To the extent that we raise additional capital through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our drug candidates, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we raise additional capital through private or public equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders’ rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. We believe that our existing cash as of September 30, 2017 will be sufficient to enable us to continue as a going concern through at least twelve months from the day of filing.

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

We do not have any off-balance sheet arrangements.

### **Critical Accounting Policies and Estimates**

Refer to Part II, Item 7, “Critical Accounting Policies and Estimates” of our Annual Report on Form 10-K for the fiscal year ended on December 31, 2016 for a discussion of our critical accounting policies and estimates. There were no significant changes to our Critical Accounting Policies and Estimates for the nine months ended September 30, 2017.

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### **Recently Issued Accounting Pronouncements**

We review new accounting standards to determine the expected financial impact, if any, that the adoption of each such standard will have. For the recently issued accounting standards that we believe may have an impact on our consolidated financial statements, see “Note 13—Recently Issued Accounting Pronouncements” in our consolidated financial statements.

### **Emerging Growth Company and Smaller Reporting Company Status**

The Jumpstart Our Business Startups Act of 2012, or the JOBS Act, establishes a class of company called an “emerging growth company,” which generally is a company whose initial public offering was completed after December 8, 2011 and had total annual gross revenues of less than \$1.07 billion during its most recently completed fiscal year. Additionally, Section 12b-2 of the Exchange Act establishes a class of company called a “smaller reporting company,” which generally is a company with a public float of less than \$75 million as of the last business day of its most recently completed second fiscal quarter or, if such public float is \$0, had annual revenues of less than \$50 million during the most recently completed fiscal year for which audited financial statements are available. We currently qualify as both an emerging growth company and a smaller reporting company.

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

- An emerging growth company is exempt from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and financial statements, commonly known as an “auditor discussion and analysis.”
- An emerging growth company is not required to hold a nonbinding advisory stockholder vote on executive compensation or any golden parachute payments not previously approved by stockholders.
- Neither an emerging growth company nor a smaller reporting company is required to comply with the requirement of auditor attestation of management’s assessment of internal control over financial reporting, which is required for other public reporting companies by Section 404 of the Sarbanes-Oxley Act.
- A company that is either an emerging growth company or a smaller reporting company is eligible for reduced disclosure obligations regarding executive compensation in its periodic and annual reports, including without limitation exemption from the requirement to provide a compensation discussion and analysis describing compensation practices and procedures.
- A company that is either an emerging growth company or a smaller reporting company is eligible for reduced financial statement disclosure in registration statements, which must include two years of audited financial statements rather than the three years of audited financial statements that are required for other public reporting companies. Smaller reporting companies are also eligible to provide such reduced financial statement disclosure in annual reports on Form 10-K.

For as long as we continue to be an emerging growth company and/or a smaller reporting company, we expect that we will take advantage of the reduced disclosure obligations available to us as a result of those respective classifications. We will remain an emerging growth company until the earlier of (i) December 31, 2019, the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement under the Securities Act; (ii) the last day of the fiscal year in which we have total annual gross revenues of \$1 billion or more; (iii) the date on which we have issued more than \$1.07 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under applicable SEC rules. We expect that we will remain an emerging growth company for the foreseeable future, but cannot retain our emerging growth company status indefinitely and will no longer qualify as an emerging growth company on or before December 31, 2019. As a result of our public float, as of June 30, 2017, which exceeded \$75 million, we will cease to be a smaller reporting company, effective January 1, 2018. Emerging growth companies may elect to take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

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

Not applicable.

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### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

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

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

Our management, under the supervision of and with the participation of the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company’s internal control over financial reporting and disclosure controls and procedures as of September 30, 2017. In making this assessment, management used the updated criteria set forth in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

Based on our assessment under the COSO Internal Control-Integrated Framework, management believes that, as of September 30, 2017, our internal control over financial reporting was effective.

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

#### *Changes in Internal Control over Financial Reporting*

There are 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, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II — OTHER INFORMATION**

**Item 1. Legal Proceedings**

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

**Item 1A. Risk Factors**

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

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

On August 9, 2017, we issued an option grant to Allan Reine, M.D., our Chief Financial Officer, as a new hire inducement grant pursuant to NASDAQ Listing Rule 5635(c)(4) and Section 4(a)(2) of the Securities Act. Mr. Reine’s option grant is for the purchase of an aggregate of 450,000 shares of Common Stock at a grant price per share of \$5.00 subject to his continued employment with the Company.

**Item 3. Defaults upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

Daiichi Sankyo Company Limited (“Daiichi Sankyo”) partnered with Pieris to research, develop and commercialize two Anticalin therapeutics pursuant to a May 31, 2011 Collaboration Research and Technology Licensing Agreement (the “Collaboration Agreement”), including one program directed to an Anticalin protein inhibiting PCSK9 (DS-9001a).

As described in Pieris’ Quarterly Report filed on May 15, 2017, due to strategic and commercial reasons related to the market for PCSK9 inhibitors, Daiichi Sankyo provided notice to Pieris on May 8, 2017 of its termination of the DS-9001a program.

Daiichi Sankyo is in the process of completing the reversion of the DS-9001a program to Pieris, including certain materials and information related to the program. As part of the termination, Daiichi Sankyo has also assigned to Pieris certain intellectual property related to Anticalin proteins inhibiting PCSK9.

Since receiving Daiichi Sankyo’s notice of termination, Pieris has evaluated the DS-9001a program and the commercial market for PCSK9 inhibitors and has determined that, at this time, Pieris will not seek to further develop or out-license DS9001a. In the event of changes with respect to the PCSK9 market, Pieris will have the right to resume development or seek to out-license Anticalin proteins against PCSK9, including the Anticalin proteins previously licensed to Daiichi Sankyo.

Daiichi Sankyo’s termination is only with respect to DS-9001a, and the Collaboration Agreement remains in effect with respect to the second Anticalin protein against an undisclosed target. Pieris previously reported Daiichi Sankyo’s decision to initiate GLP toxicology studies with respect to the second product and Pieris’ receipt of the associated milestone in October 2016.

The foregoing summary of the terms relating to the Collaboration Agreement, including with respect to Daiichi Sankyo’s termination of such Agreement with respect to DS-9001a, is qualified in its entirety by the terms of the Collaboration Agreement, which were filed with the SEC as exhibit 10.7 to the Form 10-K filed on March 30, 2017. The contents of such exhibit are hereby incorporated by reference.

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**Item 6. Exhibits**

**EXHIBIT INDEX**

<u>Exhibit</u>	<u>Description</u>
10.1*	<a href="#">Employment Agreement by and between Pieris Pharmaceuticals, Inc. and Allan Reine, dated as of August 9, 2017 (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q of Pieris Pharmaceuticals, Inc. (File No. 001-37471) filed with the Commission on August 11, 2017).</a>
10.2*	<a href="#">Stock Option Agreement, dated August 9, 2017, between Pieris Pharmaceuticals Inc. and Allan Reine.,M.D.</a>
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Principal Executive Officer.</a>
31.2	<a href="#">Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Principal Financial Officer.</a>
32.1	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Principal Executive Officer.</a>
32.2	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Principal Financial Officer.</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

± Confidential treatment requested as to portions of the exhibit. Confidential materials omitted and filed separately with the SEC.

\* Indicates management contract or compensatory plan.

**SIGNATURES**

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

**PIERIS PHARMACEUTICALS, INC.**

Date: November 9, 2017

By: /s/ Stephen S. Yoder

Stephen S. Yoder  
President, Chief Executive Officer and Director

Date: November 9, 2017

By: /s/ Allan Reine

Allan Reine  
Chief Financial Officer

**PIERIS PHARMACEUTICALS, INC.**

## Non-Qualified Stock Option Grant Notice

1. Name and Address of Participant: Allan Reine
2. Date of Option Grant: August 9, 2017
3. Maximum Number of Shares for which this Option is exercisable: 450,000
4. Exercise (purchase) price per share: \$5.00
5. Option Expiration Date: August 8, 2027
6. Vesting Start Date: August 9, 2017
7. Vesting Schedule: This Option shall become exercisable (and the Shares issued upon exercise shall be vested) as follows provided the Participant is an Employee of the Company or of an Affiliate on the applicable vesting date:

The option vests as to 25% of the option shares on August 9, 2018 and vests as to an additional 6.25% of the option shares at the end of each calendar quarter beginning on December 31, 2018 and continuing thereafter until September 30, 2021.

The foregoing rights are cumulative and are subject to the other terms and conditions of this Agreement.

The Company and the Participant acknowledge receipt of this Stock Option Grant Notice and agree to the terms of the Stock Option Agreement attached hereto, and the terms of this Option Grant as set forth above.

**PIERIS PHARMACEUTICALS, INC.**By: /s/ Stephen Yoder

Name: Stephen Yoder

Title: President and CEO

/s/ Allan Reine

Participant: Allan Reine

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PIERIS PHARMACEUTICALS, INC.

**NON-QUALIFIED STOCK OPTION AGREEMENT**

AGREEMENT made as of the date of grant set forth in the Stock Option Grant Notice by and between Pieris Pharmaceuticals, Inc. (the "Company"), a Nevada corporation, and the individual whose name appears on the Stock Option Grant Notice (the "Participant").

WHEREAS, the Company desires to grant to the Participant an Option to purchase shares of its common stock, \$0.001 par value per share (the "Shares") as an inducement material to the Participant's entering into employment as Senior Vice President and Chief Financial Officer of the Company, effective August 9, 2017 (the "Vesting Start Date"), in accordance with the terms of an employment agreement with the Company dated August 9, 2017; and

WHEREAS, the Company and the Participant each intend that the Option granted herein shall be a non-qualified stock option.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto agree as follows:

1. DEFINITIONS.

Unless otherwise specified or unless the context otherwise requires, the following terms, as used in this Agreement, have the following meanings:

Administrator means the Board of Directors, unless it has delegated power to act on its behalf to the Committee, in which case the term Administrator means the Committee.

Affiliate means a corporation which, for purposes of Section 424 of the Code, is a parent or subsidiary of the Company, direct or indirect.

Board of Directors means the Board of Directors of the Company.

Cause means, with respect to a Participant: (a) dishonesty with respect to the Company or any Affiliate, (b) insubordination, substantial malfeasance or non-feasance of duty, (c) unauthorized disclosure of confidential information, (d) breach by a Participant of any provision of any employment, consulting, advisory, nondisclosure, non-competition or similar agreement between the Participant and the Company or any Affiliate, and (e) conduct substantially prejudicial to the business of the Company or any Affiliate; provided, however, that any provision in an agreement between a Participant and the Company or an Affiliate, which contains a conflicting definition of Cause for termination and which is in effect at the time of such termination, shall supersede this definition with respect to that Participant. The determination of the Administrator as to the existence of Cause will be conclusive on the Participant and the Company.

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Code means the United States Internal Revenue Code of 1986, as amended, including any successor statute, regulation and guidance thereto.

Committee means the committee of the Board of Directors to which the Board of Directors has delegated power to act, the composition of which shall at all times satisfy the provisions of Section 162(m) of the Code.

Disability or Disabled means permanent and total disability as defined in Section 22(e)(3) of the Code.

Director means any member of the Board of Directors.

Employee means any employee of the Company or of an Affiliate (including, without limitation, an employee who is also serving as an officer or director of the Company or of an Affiliate).

Exchange Act means the Securities Exchange Act of 1934, as amended.

Fair Market Value of a Share of common stock means:

If the common stock is listed on a national securities exchange or traded in the over-the-counter market and sales prices are regularly reported for the common stock, the closing or, if not applicable, the last price of the common stock on the composite tape or other comparable reporting system for the trading day on the applicable date and if such applicable date is not a trading day, the last market trading day prior to such date;

If the common stock is not traded on a national securities exchange but is traded on the over-the-counter market, if sales prices are not regularly reported for the common stock for the trading day referred to in clause (1), and if bid and asked prices for the common stock are regularly reported, the mean between the bid and the asked price for the common stock at the close of trading in the over-the-counter market for the trading day on which common stock was traded on the applicable date and if such applicable date is not a trading day, the last market trading day prior to such date; and

If the common stock is neither listed on a national securities exchange nor traded in the over-the-counter market, such value as the Administrator, in good faith, shall determine in compliance with applicable laws.

Non-Qualified Option means an option which is not intended to qualify as an incentive stock option under Section 422 of the Code.

Option means a Non-Qualified Option granted as an inducement award under NASDAQ Listing Rule 5635(c)(4).

Securities Act means the Securities Act of 1933, as amended.

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Shares means shares of the Company's common stock, \$0.001 par value per share.

Survivor means a deceased Participant's legal representatives and/or any person or persons who acquired the Participant's rights to a Stock Right by will or by the laws of descent and distribution.

2. GRANT OF OPTION.

The Company hereby grants to the Participant the right and option to purchase all or any part of an aggregate of the number of Shares set forth in the Stock Option Grant Notice, on the terms and conditions and subject to all the limitations set forth herein and under United States securities and tax laws.

3. EXERCISE PRICE.

The exercise price of the Shares covered by the Option shall be the amount per Share set forth in the Stock Option Grant Notice, subject to adjustment, as provided in Section 10, in the event of a stock split, reverse stock split or other events affecting the holders of Shares after the date hereof (the "Exercise Price"). Payment shall be made in accordance with Section 6 of this Agreement.

4. EXERCISABILITY OF OPTION.

Subject to the terms and conditions set forth in this Agreement, the Option granted hereby shall become vested and exercisable as set forth in the Stock Option Grant Notice and is subject to the other terms and conditions of this Agreement.

5. TERM OF OPTION.

This Option shall terminate on the Option Expiration Date as specified in the Stock Option Grant Notice, but shall be subject to earlier termination as provided herein.

If the Participant ceases to be an Employee of the Company or of an Affiliate for any reason other than the death or Disability of the Participant, or termination of the Participant for Cause (the "Termination Date"), the Option to the extent then vested and exercisable pursuant to Section 4 hereof as of the Termination Date, and not previously terminated in accordance with this Agreement, may be exercised within three months after the Termination Date, or on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice, whichever is earlier, but may not be exercised thereafter except as set forth below. In such event, the unvested portion of the Option shall not be exercisable and shall expire and be cancelled on the Termination Date.

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Notwithstanding the foregoing, in the event of the Participant's Disability or death within three months after the Termination Date, the Participant or the Participant's Survivors may exercise the Option within one year after the Termination Date, but in no event after the Option Expiration Date as specified in the Stock Option Grant Notice.

In the event the Participant's service is terminated by the Company or an Affiliate for Cause, the Participant's right to exercise any unexercised portion of this Option even if vested shall cease immediately as of the time the Participant is notified his or her service is terminated for Cause, and this Option shall thereupon terminate. Notwithstanding anything herein to the contrary, if subsequent to the Participant's termination, but prior to the exercise of the Option, the Administrator determines that, either prior or subsequent to the Participant's termination, the Participant engaged in conduct which would constitute Cause, then the Participant shall immediately cease to have any right to exercise the Option and this Option shall thereupon terminate.

In the event of the Disability of the Participant, , the Option shall be exercisable within one year after the Participant's termination of due to Disability or, if earlier, on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice. In such event, the Option shall be exercisable:

- (a) to the extent that the Option has become exercisable but has not been exercised as of the date of the Participant's termination of service due to Disability; and
- (b) in the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of the Participant's termination of service due to Disability of any additional vesting rights that would have accrued on the next vesting date had the Participant not become Disabled. The proration shall be based upon the number of days accrued in the current vesting period prior to the date of the Participant's termination of service due to Disability.

In the event of the death of the Participant while an Employee of the Company or of an Affiliate, the Option shall be exercisable by the Participant's Survivors within one year after the date of death of the Participant or, if earlier, on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice. In such event, the Option shall be exercisable:

- (x) to the extent that the Option has become exercisable but has not been exercised as of the date of death; and
- (y) in the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of death of any additional vesting rights that would have accrued on the next vesting date had the Participant not died. The proration shall be based upon the number of days accrued in the current vesting period prior to the Participant's date of death.

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6. METHOD OF EXERCISING OPTION.

Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Company or its designee, in substantially the form of Exhibit A attached hereto (or in such other form acceptable to the Company, which may include electronic notice). Such notice shall state the number of Shares with respect to which the Option is being exercised and shall be signed by the person exercising the Option (which signature may be provided electronically in a form acceptable to the Company). Payment of the Exercise Price for such Shares shall be made (a) in United States dollars in cash or by check, or (b) at the discretion of the Board of Directors of the Company or, if applicable, a Committee of the Board of Directors, through delivery of shares of Common Stock having a Fair Market Value (as defined below) equal as of the date of the exercise to the cash exercise price of the Option and held for at least six months, or (c) in accordance with a cashless exercise program established with a securities. The Company shall deliver such Shares as soon as practicable after the notice shall be received, provided, however, that the Company may delay issuance of such Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including, without limitation, state securities or "blue sky" laws). The Shares as to which the Option shall have been so exercised shall be registered in the Company's share register in the name of the person so exercising the Option (or, if the Option shall be exercised by the Participant and if the Participant shall so request in the notice exercising the Option, shall be registered in the Company's share register in the name of the Participant and another person jointly, with right of survivorship) and shall be delivered as provided above to or upon the written order of the person exercising the Option. In the event the Option shall be exercised, pursuant to Section 5 hereof, by any person other than the Participant, such notice shall be accompanied by appropriate proof of the right of such person to exercise the Option. All Shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and nonassessable.

7. PARTIAL EXERCISE.

Exercise of this Option to the extent above stated may be made in part at any time and from time to time within the above limits, except that no fractional share shall be issued pursuant to this Option.

8. NON-ASSIGNABILITY.

The Option shall not be transferable by the Participant otherwise than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act or the rules thereunder. Except as provided above in this paragraph, the Option shall be exercisable, during the Participant's lifetime, only by the Participant (or, in the event of legal incapacity or incompetency, by the Participant's guardian or representative) and shall not be assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of the Option or of any rights granted hereunder contrary to the provisions of this Section 8, or the levy of any attachment or similar process upon the Option shall be null and void.

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9. NO RIGHTS AS STOCKHOLDER UNTIL EXERCISE.

The Participant shall have no rights as a stockholder with respect to Shares subject to this Agreement until registration of the Shares in the Company's share register in the name of the Participant. Except as is expressly provided in Section 10 of this Agreement with respect to certain changes in the capitalization of the Company, no adjustment shall be made for dividends or similar rights for which the record date is prior to the date of such registration.

10. ADJUSTMENTS.

Upon the occurrence of any of the following events, the Participant's rights with respect to the Option shall be adjusted as hereinafter provided.

(a) Stock Dividends and Stock Splits. If (i) the Shares shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any Shares as a stock dividend on its outstanding Shares, or (ii) additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such Shares, the Option and the number of Shares deliverable thereunder shall be appropriately increased or decreased proportionately, and appropriate adjustments shall be made including, in the exercise price per share, to reflect such events.

(b) Corporate Transactions. If the Company is to be consolidated with or acquired by another entity in a merger, consolidation, or sale of all or substantially all of the Company's assets other than a transaction to merely change the state of incorporation (a "Corporate Transaction"), the Administrator or the board of directors of any entity assuming the obligations of the Company hereunder (the "Successor Board"), shall, as to the unexercised portion of the Option, either (i) make appropriate provision for the continuation of the Option by substituting on an equitable basis for the Shares then subject to the Option either the consideration payable with respect to the outstanding Shares in connection with the Corporate Transaction or securities of any successor or acquiring entity; or (ii) upon written notice to the Participant, provide that the Option must be exercised (to the extent then exercisable, within a specified number of days of the date of such notice, at the end of which period the Option shall terminate); or (iii) terminate the Option in exchange for payment of an amount equal to the consideration payable upon consummation of such Corporate Transaction to the holder of the number of Shares into which the Option would have been exercisable less the aggregate exercise price thereof. For purposes of determining the payments to be made pursuant to Subclause (iii) above, in the case of a Corporate Transaction the consideration for which, in whole or in part, is other than cash, the consideration other than cash shall be valued at the fair value thereof as determined in good faith by the Board of Directors.

(c) Recapitalization or Reorganization. In the event of a recapitalization or reorganization of the Company other than a Corporate Transaction pursuant to which securities of the Company or of another corporation are issued with respect to the outstanding Shares, the Participant upon exercising the Option after the recapitalization or reorganization shall be entitled to receive for the price paid upon such exercise or acceptance if any, the number of replacement securities which would have been received if the Option had been exercised prior to such recapitalization or reorganization.

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(d) Modification of Options. Notwithstanding the foregoing, any adjustments made pursuant to Subsection (a), (b) or (c) above shall be made only after the Administrator determines whether such adjustments would cause any adverse tax consequences, including, but not limited to, pursuant to Section 409A of the Code. If the Administrator determines that such adjustments would constitute a modification of the Option or other adverse tax consequence to the Participant, it may refrain from making such adjustments, unless the Participant specifically agrees in writing that such adjustment be.

(e) Dissolution or Liquidation of the Company. Upon the dissolution or liquidation of the Company, the Option will terminate and become null and void; provided, however, that if the rights of the Participant or the Participant's Survivors have not otherwise terminated and expired, the Participant or the Participant's Survivors will have the right immediately prior to such dissolution or liquidation to exercise the Option to the extent that the Option is exercisable as of the date immediately prior to such dissolution or liquidation.

#### 11. TAXES.

The Participant acknowledges and agrees that (i) any income or other taxes due from the Participant with respect to this Option or the Shares issuable pursuant to this Option shall be the Participant's responsibility; (ii) the Participant was free to use professional advisors of his or her choice in connection with this Agreement, has received advice from his or her professional advisors in connection with this Agreement, understands its meaning and import, and is entering into this Agreement freely and without coercion or duress; (iii) the Participant has not received and is not relying upon any advice, representations or assurances made by or on behalf of the Company or any Affiliate or any employee of or counsel to the Company or any Affiliate regarding any tax or other effects or implications of the Option, the Shares or other matters contemplated by this Agreement; and (iv) neither the Administrator, the Company, its Affiliates, nor any of its officers or directors, shall be held liable for any applicable costs, taxes, or penalties associated with the Option if, in fact, the Internal Revenue Service were to determine that the Option constitutes deferred compensation under Section 409A of the Code.

The Participant agrees that the Company may withhold from the Participant's remuneration, if any, the minimum statutory amount of federal, state and local withholding taxes attributable to such amount that is considered compensation includable in such person's gross income. At the Company's discretion, the amount required to be withheld may be withheld in cash from such remuneration, or in kind from the Shares otherwise deliverable to the Participant on exercise of the Option. The Participant further agrees that, if the Company does not withhold an amount from the Participant's remuneration sufficient to satisfy the Company's income tax withholding obligation, the Participant will reimburse the Company on demand, in cash, for the amount under-withheld.

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12. PURCHASE FOR INVESTMENT.

Unless the offering and sale of the Shares to be issued upon the particular exercise of the Option shall have been effectively registered under the Securities Act, the Company shall be under no obligation to issue the Shares covered by such exercise unless the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act and until the following conditions have been fulfilled:

- (a) The person(s) who exercise the Option shall warrant to the Company, at the time of such exercise, that such person(s) are acquiring such Shares for their own respective accounts, for investment, and not with a view to, or for sale in connection with, the distribution of any such Shares, in which event the person(s) acquiring such Shares shall be bound by the provisions of the following legend which shall be endorsed upon any certificate(s) evidencing the Shares issued pursuant to such exercise:

“The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws;” and

- (b) If the Company so requires, the Company shall have received an opinion of its counsel that the Shares may be issued upon such particular exercise in compliance with the Securities Act without registration thereunder. Without limiting the generality of the foregoing, the Company may delay issuance of the Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including without limitation state securities or “blue sky” laws).

13. RESTRICTIONS ON TRANSFER OF SHARES.

13.1 The Participant agrees that in the event the Company proposes to offer for sale to the public any of its equity securities and such Participant is requested by the Company and any underwriter engaged by the Company in connection with such offering to sign an agreement restricting the sale or other transfer of Shares, then it will promptly sign such agreement and will not transfer, whether in privately negotiated transactions or to the public in open market transactions or otherwise, any Shares or other securities of the Company held by the Participant during such period as is determined by the Company and the underwriters, not to exceed 180 days following the closing of the offering, plus such additional period of time as may be required to comply with FINRA rules or similar rules thereto promulgated by another regulatory authority (such period, the “Lock-Up Period”). Such agreement shall be in writing and in form and

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substance reasonably satisfactory to the Company and such underwriter and pursuant to customary and prevailing terms and conditions. Whether or not the Participant has signed such an agreement, the Company may impose stop-transfer instructions with respect to the Shares or other securities of the Company subject to the foregoing restrictions until the end of the Lock-Up Period.

13.2 The Participant acknowledges and agrees that neither the Company, its stockholders nor its directors and officers, has any duty or obligation to disclose to the Participant any material information regarding the business of the Company or affecting the value of the Shares before, at the time of, or following a termination of the service of the Participant by the Company, including, without limitation, any information concerning plans for the Company to make a public offering of its securities or to be acquired by or merged with or into another firm or entity.

14. NO OBLIGATION TO MAINTAIN RELATIONSHIP.

The Participant acknowledges that: (i) the Company is not by this Agreement obligated to continue the Participant as an employee, director or consultant of the Company or an Affiliate; (ii) the grant of the Option is a one-time benefit which does not create any contractual or other right to receive future grants of options, or benefits in lieu of options; (iii) all determinations with respect to any such future grants, including, but not limited to, the times when options shall be granted, the number of shares subject to each option, the option price, and the time or times when each option shall be exercisable, will be at the sole discretion of the Company; (iv) the value of the Option is an extraordinary item of compensation which is outside the scope of the Participant's employment or consulting contract, if any; and (v) the Option is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

15. NOTICES.

Any notices required or permitted by the terms of this Agreement shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

Pieris Pharmaceuticals, Inc.  
255 State Street, 9th floor  
Boston, MA 02109  
Attention: Chief Executive Officer

If to the Participant at the address set forth on the Stock Option Grant Notice.

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or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given upon the earlier of receipt, one business day following delivery to a recognized courier service or three business days following mailing by registered or certified mail.

16. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada, without giving effect to the conflict of law principles thereof. For the purpose of litigating any dispute that arises under this Agreement, the parties hereby consent to exclusive jurisdiction in Nevada and agree that such litigation shall be conducted in the state courts of Nevada or the federal courts of the United States for the District of Nevada.

17. BENEFIT OF AGREEMENT.

Subject to the provisions hereof, this Agreement shall be for the benefit of and shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

18. ENTIRE AGREEMENT.

This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof (with the exception of acceleration of vesting provisions contained in any other agreement with the Company). No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict the express terms and provisions of this Agreement.

19. MODIFICATIONS AND AMENDMENTS.

The terms and provisions of this Agreement may be modified or amended by the Administrator; provided, however, the Administrator not take any action that is considered a direct or indirect "repricing" for purposes of the stockholder approval rules of the applicable securities exchange or inter-dealer quotation system on which the Shares are listed, including any other action that is treated as a repricing under generally accepted accounting principles. Any modification or amendment of this Agreement shall not, without the consent of the Participant, adversely affect the Participant's rights under this Agreement.

20. WAIVERS AND CONSENTS.

The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

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21. DATA PRIVACY.

By entering into this Agreement, the Participant: (i) authorizes the Company and each Affiliate, and any agent of the Company or any Affiliate facilitating the grant of options under this Agreement, to disclose to the Company or any of its Affiliates such information and data as the Company or any such Affiliate shall request in order to facilitate the grant of options; and (ii) authorizes the Company and each Affiliate to store and transmit such information in electronic form for the purposes set forth in this Agreement.

**NOTICE OF EXERCISE OF STOCK OPTION**

**[Form for Shares registered in the United States]**

To: Pieris Pharmaceuticals, Inc.

IMPORTANT NOTICE: This form of Notice of Exercise may only be used at such time as the Company has filed a Registration Statement with the Securities and Exchange Commission under which the issuance of the Shares for which this exercise is being made is registered and such Registration Statement remains effective.

Ladies and Gentlemen:

I hereby exercise my Stock Option to purchase \_\_\_\_\_ shares (the "Shares") of the common stock, \$0.001 par value, of Pieris Pharmaceuticals, Inc. (the "Company"), at the exercise price of \$ \_\_\_\_\_ per share, pursuant to and subject to the terms of that Stock Option Grant Notice dated \_\_\_\_\_, 201\_\_\_\_.

I understand the nature of the investment I am making and the financial risks thereof. I am aware that it is my responsibility to have consulted with competent tax and legal advisors about the relevant national, state and local income tax and securities laws affecting the exercise of the Option and the purchase and subsequent sale of the Shares.

I am paying the option exercise price for the Shares as follows:

\_\_\_\_\_

Please issue the Shares (check one):

to me; or

to me and \_\_\_\_\_, as joint tenants with right of survivorship,

at the following address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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My mailing address for stockholder communications, if different from the address listed above, is:

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Very truly yours,

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Participant (signature)

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Print Name

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Date

Exhibit A-2

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

I, Stephen S. Yoder, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pieris Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. paragraph omitted in accordance with Exchange Act Rule 15d-14(a);
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2017

/s/ Stephen S. Yoder

Stephen S. Yoder

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

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

I, Allan Reine, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pieris Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. paragraph omitted in accordance with Exchange Act Rule 15d-14(a);
  - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2017

/s/ Allan Reine

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Allan Reine  
Title: Chief Financial Officer  
(principal financial officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER UNDER SECTION 906**

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

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: November 9, 2017

/s/ Stephen S. Yoder

Stephen S. Yoder

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

**CERTIFICATION OF CHIEF FINANCIAL OFFICER UNDER SECTION 906**

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

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: November 9, 2017

/s/ Allan Reine

Allan Reine  
Title: Chief Financial Officer  
(principal financial officer)