Hill International, Inc.
Form 10-K
March 14, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2013

Commission file number 001-33961

HILL INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware State or other jurisdiction of incorporation or organization	**20-0953973** (I.R.S. Employer Identification No.)
303 Lippincott Centre, Marlton, NJ (Address of principal executive offices)	**08053** (Zip Code)

Registrant's telephone number, including area code: **(856) 810-6200**

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

Title of each class	**Name of each exchange on which registered**
Common Stock, $.0001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Exchange Act: **None**

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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, and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by a check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 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 ý No o

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large Accelerated Filer o	Accelerated Filer ý	Non-Accelerated Filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of shares of common stock held by non-affiliates on June 30, 2013 was approximately $67,710,000. As of March 6, 2014, there were 40,168,591 shares of the Registrant's Common Stock outstanding.

Documents Incorporated by Reference

Portions of the proxy statement for the 2014 Annual Meeting of Shareholders of Hill International, Inc. are incorporated by reference into Part III of this Form 10-K.

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HILL INTERNATIONAL, INC. AND SUBSIDIARIES
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PART I
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). We may also make forward-looking statements in other reports filed with the United States Securities and Exchange Commission (the "SEC"), in materials delivered to stockholders and in press releases. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Although we believe that the expectations, estimates and assumptions reflected in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. You can identify forward-looking statements by the use of terminology such as "may," "will," "anticipate," "believe," "estimate," "expect," "future," "intend," "plan," "could," "should," "potential" or "continue" or the negative or other variations thereof, as well as other statements regarding matters that are not historical fact.

Those forward-looking statements may concern, among other things:

- The markets for our services;
- Projections of revenues and earnings, anticipated contractual obligations, capital expenditures, funding requirements or other financial items;
- Statements concerning our plans, strategies and objectives for future operations; and
- Statements regarding future economic conditions or performance.

Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in our forward-looking statements include:

- Modifications and termination of client contracts;
- Control and operational issues pertaining to business activities that we conduct pursuant to joint ventures with other parties;
- Difficulties we may incur in implementing our acquisition strategy;
- The need to retain and recruit key technical and management personnel; and
- Unexpected adjustments and cancellations related to our backlog.

Other factors that may affect our businesses, financial position or results of operations include:

- Special risks of our ability to obtain debt financing or otherwise raise capital to meet required working capital needs and to support potential future acquisition activities;
- Special risks of international operations, including uncertain political and economic environments, acts of terrorism or war, potential incompatibilities with foreign joint venture partners, foreign currency fluctuations, civil disturbances and labor issues; and

Special risks of contracts with governmental entities, including the failure of applicable governing authorities to take necessary actions to secure or maintain funding for particular projects with us, the unilateral termination of contracts by the government and reimbursement obligations to the government for funds previously received.

We assume no obligation to update or revise any forward-looking statements. In accordance with the Reform Act, Item 1A of this Report entitled "Risk Factors" contains cautionary statements that accompany those forward-looking statements. You should carefully review such cautionary statements as

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they identify certain important factors that could cause actual results to differ materially from those in the forward-looking statements and from historical trends. Those cautionary statements are not exclusive and are in addition to other factors discussed elsewhere in this Form 10-K, in our other filings with the Securities and Exchange Commission or in materials incorporated therein by reference.

Item 1. Business.

General

Hill International, Inc., with 4,100 professionals in 100 offices worldwide, provides program management, project management, construction management, construction claims and other consulting services primarily to the buildings, transportation, environmental, energy and industrial markets. *Engineering News-Record* magazine recently ranked Hill as the ninth largest construction management firm and tenth largest program management firm in the United States. The terms "Hill", the "Company", "we", "us" and "our" refer to Hill International, Inc.

We compete for business based on a variety of factors such as technical capability, global resources, price, reputation and past experience, including client requirements for substantial experience in similar projects and claims work. We have developed significant long-standing relationships, which bring us repeat business and would be very difficult to replicate. We have an excellent reputation for developing and rewarding employees which allows us to attract and retain superior professionals. In addition, we believe there are high barriers to entry for new competitors especially in the project management market.

Our Growth Strategy

Our growth strategy is to increase our revenue through organic growth and expand our geographic reach and service offerings through strategic acquisitions. We seek to achieve these objectives through the following strategies:

Continue to Take Advantage of Organic Growth Opportunities. We have long-standing relationships with a number of public and private sector entities. Meeting our clients' diverse needs in managing construction risk and generating repeat business from our clients to expand our project base is one of our key growth strategies. We accomplish this objective by providing a broad range of project management and construction claims consulting services in a wide range of geographic areas that support our clients during every phase of a project, from concept through completion. We believe that nurturing our existing client relationships expands our project base through repeat business. In addition, we strategically open new offices to expand into new geographic areas and we aggressively hire individuals with significant contacts to accelerate the growth of these new offices and to strengthen our presence in existing markets.

Continue to Pursue Acquisitions. We operate in a highly fragmented industry with many smaller, regional competitors. Our acquisition strategy allows us to manage risk by diversifying our services, which enables us to compete better by integrating capabilities and obtaining new relationships. We pursue acquisitions primarily for three reasons: to expand into new geographic markets; add to professional resources and gain critical mass in existing markets to compete more effectively; and to enhance our specialization and capability in certain strategic areas. We intend to continue to pursue both U.S. acquisitions to round out our domestic presence and enhance capabilities in specific areas and foreign acquisitions that bring new relationships as well as widen our geographic base to offer our global capabilities.

Strengthen Professional Resources. Our biggest asset is the people that work for Hill. We intend to continue spending significant time recruiting and retaining the best and the brightest to improve our competitive position. Our independent status has attracted top project management

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talent with varied industry experience. Additionally, our construction claims business provides us with a strong base of expertise that allows knowledge transfer across our businesses. We believe maintaining and bolstering our team will enable us to continue to grow our business.

Reporting Segments

We primarily operate through two reporting segments: the Project Management Group and the Construction Claims Group. Our total revenue consists of two components: consulting fee revenue ("CFR") and reimbursable expenses. Reimbursable expenses are reflected in equal amounts in both total revenue and total direct expenses. Because these revenue/costs are subject to significant fluctuation from year to year, we measure the performance of many of our key operating metrics as a percentage of CFR, as we believe that this is a better and more consistent measure of operating performance than total revenue. Throughout this report we have used CFR as the denominator in many of our ratios. The following table sets forth the amount and percentage of CFR from our operations in each reporting segment for each of the past three fiscal years (dollars in thousands):

Consulting Fee Revenue ("CFR")

	2013		2012		2011	
Project Management	**$ 392,602**	**76.7%**	$ 312,232	74.8%	$ 290,787	72.8%
Construction Claims	**119,483**	**23.3**	105,366	25.2	108,467	27.2
Total	**$ 512,085**	**100.0%**	$ 417,598	100.0%	$ 399,254	100.0%

Project Management

Our Project Management Group provides fee-based or "agency" construction management services to our clients, leveraging our construction expertise to identify potential trouble, difficulties and sources of delay on a construction project before they develop into costly problems. Our services include program management, project management, construction management, project management oversight, troubled project turnaround, staff augmentation, estimating and cost management, project labor agreement consulting, commissioning, labor compliance and other services.

Our clients are typically billed a negotiated multiple of the actual direct cost of each consultant assigned to a project and we are reimbursed for our out-of-pocket expenses. We believe our fee-based consulting has significant advantages over traditional general contractors. Specifically, because we do not assume project completion risk, our fee-based model eliminates many of the risks typically associated with providing "at risk" construction services.

We have managed all phases of the construction process on behalf of project owners and developers, from concept through completion. Specific activities that we undertake as part of these services include: planning, scheduling, estimating, budgeting, design review, constructability analyses, value engineering, regulatory compliance, development of project procedures, procurement, project reporting, expediting, inspection, quality assurance/quality control, safety oversight, contract administration, change order processing, claims management, and on-site management of contractors, subcontractors and suppliers.

Construction Claims

Our Construction Claims Group advises clients in order to assist them in preventing or resolving claims and disputes based upon schedule delays, cost overruns and other problems on major construction projects worldwide.

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We may be retained as a claims consultant at the onset of a project, during the course of a project or upon the completion of a project. We assist owners or contractors in adversarial situations as well as in situations where an amicable resolution is sought. Specific activities that we undertake as part of these services include claims preparation, analysis and review, litigation support, cost/damages assessment, delay/disruption analysis, adjudication, risk assessment, lender advisory, expert witness testimony and other services.

Clients are typically billed based on an hourly rate for each consultant assigned to the project, and we are reimbursed for our out-of-pocket expenses. Our claims consulting clients include participants on all sides of a construction project, including owners, contractors, subcontractors, architects, engineers, attorneys, lenders and insurance companies.

Global Business

We operate worldwide and currently have approximately 100 offices in nearly 40 countries. The following table sets forth the amount and percentage of our CFR by geographic region for each of the past three fiscal years (dollars in thousands):

Consulting Fee Revenue by Geographic Region:

	2013		2012		2011	
U.S./Canada	**$ 121,291**	**23.7%**	$ 117,593	28.2%	$ 115,378	28.9%
Latin America	**49,188**	**9.6**	51,820	12.4	48,188	12.1
Europe	**75,398**	**14.7**	84,267	20.2	90,049	22.5
Middle East	**219,315**	**42.8**	134,037	32.1	108,720	27.2
Africa	**22,744**	**4.4**	13,591	3.3	17,451	4.4
Asia/Pacific	**24,149**	**4.8**	16,290	3.8	19,468	4.9
Total	**$ 512,085**	**100.0%**	$ 417,598	100.0%	$ 399,254	100.0%

U.S.	**$ 117,740**	**23.0%**	$ 114,368	27.4%	$ 112,098	28.1%
Non-U.S.	**394,345**	**77.0**	303,230	72.6	287,156	71.9
Total	**$ 512,085**	**100.0%**	$ 417,598	100.0%	$ 399,254	100.0%

Growth Organically and Through Acquisitions

Over the years, our business has expanded through organic growth and the acquisition of a number of project management and claims consulting businesses. Over the past 16 years, we have completed 22 acquisitions of project management and claims consulting businesses.

We believe that our industry includes a number of small regional companies in a highly fragmented market. We believe that we have significant experience and expertise in identifying, negotiating, completing and integrating acquisitions and view the acquisition of these smaller competitors as a key part of our growth strategy. Through our acquisitions, we gained entry into the United Kingdom, Spain, Mexico, Poland, Australia, Brazil and South Africa and expanded our presence in the United States. These transactions have enabled us to accelerate our growth, strengthen our geographic diversity and compete more effectively.

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Clients

Our clients consist primarily of the United States and other national governments, state and local governments, and the private sector. The following table sets forth our breakdown of CFR attributable to these categories of clients for each of the past three fiscal years (dollars in thousands):

Consulting Fee Revenue By Client Type:

	2013		2012		2011	
U.S. federal government	**$ 14,958**	**2.9%**	$ 12,877	3.1%	$ 11,667	2.9%
U.S. state, regional and local governments	**69,477**	**13.6**	61,790	14.8	64,734	16.2
Foreign governments	**181,066**	**35.3**	96,242	23.0	85,756	21.5
Private sector	**246,584**	**48.2**	246,689	59.1	237,097	59.4
Total	**$ 512,085**	**100.0%**	$ 417,598	100.0%	$ 399,254	100.0%

The following table sets forth the percentage of our consulting fee revenue contributed by each of our five largest clients for the years ended December 31, 2013, 2012 and 2011:

	For the Years Ended December 31,		
	2013	2012	2011
Largest Client	**10.0%**	3.6%	3.2%
2nd largest client	**3.4%**	2.6%	2.3%
3rd largest client	**2.3%**	2.2%	2.1%
4th largest client	**1.6%**	2.1%	2.0%
5th largest client	**1.6%**	2.0%	1.9%
Top 5 largest clients	**18.9%**	12.5%	11.5%

Business Development

The process for acquiring business from each of our categories of clients is principally the same, by participating in a competitive request-for-proposal ("RFP") process, with the primary difference among clients being that the process for public sector clients is significantly more formal and complex than for private sector clients as a result of government procurement rules and regulations that govern the public-sector process.

Although a significant factor in our business development consists of our standing in our industry, including existing relationships and reputation based on performance on completed projects, our marketing department undertakes a variety of activities in order to expand our exposure to potential new clients. These activities include media relations, advertising, promotions, market sector initiatives and maintaining our website and related web marketing. Media relations include placing articles that feature us and our personnel in trade publications and other media outlets. Our promotions include arranging speaking engagements for our personnel, participation in trade shows and other promotional activities. Market sector initiatives are designed to broaden our exposure to specific sectors of the construction industry, such as, for example, participating in or organizing industry seminars.

For the year ended December 31, 2013, CFR from U.S. and foreign government contracts represented approximately 51.8% of our total CFR. Doing business with governments is complex and requires the ability to comply with intricate regulations and satisfy periodic audits. We believe that the ability to understand these requirements and to successfully conduct business with government agencies is a barrier to entry for smaller, less experienced competitors. Most government contracts, including

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those with foreign governments, are subject to termination by the government, to government audits and to continued appropriations.

We are required from time to time to obtain various permits, licenses and approvals in order to conduct our business in many of the jurisdictions where we operate. Our businesses of providing project management and construction claims services are not subject to significant regulation by state, federal or foreign governments.

Contracts

The price provisions of our contracts can be grouped into three broad categories: cost-plus, time and materials, and fixed-price. Cost-plus contracts provide for reimbursement of our costs and overhead plus a predetermined fee. Under some cost-plus contracts, our fee may be based partially on quality, schedule and other performance factors. We also enter into contracts whereby we bill our clients monthly at hourly billing rates. The hourly billing rates are determined by contract terms. For governmental clients, the hourly rates are generally calculated as salary costs plus overhead costs plus a negotiated profit percentage. For commercial clients, the hourly rate can be taken from a standard fee schedule by staff classification or it can be at a discount from this schedule. In some cases, primarily for foreign work, a monthly rate is negotiated rather than an hourly rate. This monthly rate is a build-up of staffing costs plus overhead and profit. We account for these contracts on a time-and-materials method, recognizing revenue as costs are incurred. Fixed-price contracts are accounted for using the "percentage-of-completion" method, wherein revenue is recognized as costs are incurred.

Backlog

We believe a strong indicator of our future performance is our backlog of uncompleted projects under contract or awarded. Our backlog represents management's estimate of the amount of contracts and awards in hand that we expect to result in future consulting fee revenue. Project Management backlog is evaluated by management, on a project-by-project basis, and is reported for each period shown based upon the binding nature of the underlying contract, commitment or letter of intent, and other factors, including the economic, financial and regulatory viability of the project and the likelihood of the contract being extended, renewed or cancelled. Construction Claims backlog is based largely on management's estimates of future revenue based on known construction claims assignments. Because a significant number of construction claims may be awarded and completed within the same period, our actual construction claims revenue has historically exceeded backlog by a significant amount.

Our backlog is important to us in anticipating and planning for our operational needs. Backlog is not a measure defined in U.S. generally accepted accounting principles, and our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlog.

At December 31, 2013, our backlog was a record $1,027,000,000, surpassing $1,000,000,000 for the first time in the Company's history, compared to approximately $923,000,000 at December 31, 2012. At December 31, 2013, backlog attributable to future work in Libya amounted to approximately $44,000,000. We estimate that approximately $394,000,000, or 38.4% of the backlog at December 31, 2013, will be recognized during our 2014 fiscal year.

Although backlog reflects business that we consider to be firm, cancellations or scope adjustments may occur. Further, substantially all of our contracts with our clients may be terminated at will, in which case the client would only be obligated to us for services provided through the termination date. Historically, the impact of terminations and modifications on our realization of revenue from our backlog has not been significant, however, there can be no assurance that such changes will not be significant in the future. Furthermore, reductions of our backlog as a result of contract terminations and modifications may be offset by additions to the backlog.

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We adjust backlog to reflect project cancellations, deferrals and revisions in scope and cost (both upward and downward) known at the reporting date. Future contract modifications or cancellations, however, may increase or reduce backlog and future revenue.

		Total Backlog			12-Month Backlog	
		(dollars in thousands)				
As of December 31, 2013:						
Project Management	**$**	**984,000**	**95.8%**		**351,000**	**89.1%**
Construction Claims		**43,000**	**4.2**		**43,000**	**10.9**
Total	**$**	**1,027,000**	**100.0%**	**$**	**394,000**	**100.0%**
As of September 30, 2013:						
Project Management	$	911,000	95.8%	$	342,000	89.5%
Construction Claims		40,000	4.2		40,000	10.5
Total	$	951,000	100.0%	$	382,000	100.0%
As of December 31, 2012:						
Project Management	$	884,000	95.8%	$	343,000	89.8%
Construction Claims		39,000	4.2		39,000	10.2
Total	$	923,000	100.0%	$	382,000	100.0%

Competition

The project management and claims consulting industries are highly competitive. We compete for contracts, primarily on the basis of technical capability, with numerous entities, including design or engineering firms, general contractors, other "pure" construction management companies, other claims consulting firms, the "Big Four" and other accounting firms, management consulting firms and other entities. Compared to us, many of these competitors are larger, well-established companies that have broader geographic scope and greater financial and other resources. During 2013, some of our largest project management competitors included: AECOM Technology Corp.; ARCADIS N.V.; Jacobs Engineering Group, Inc.; Parsons Brinckerhoff, Inc.; Parsons Corp.; Turner Construction Co.; and URS Corp. Some of our largest claims consulting competitors last year included: Exponent, Inc.; Navigant Consulting, Inc. and Systech Group, Ltd.

Insurance

We maintain insurance covering professional liability, as well as for claims involving bodily injury and property damage. We have historically enjoyed a favorable loss ratio in all lines of insurance and our management considers our present limits of liability, deductibles and reserves to be adequate. We endeavor to reduce or eliminate risk through the use of quality assurance/control, risk management, workplace safety and similar methods to eliminate or reduce the risk of losses on a project. Although our actual rates have decreased, we have experienced and expect to continue to experience increases in the dollar amount of our insurance premiums because of the increase in our revenue.

Management

We are led by an experienced management team with significant experience in the construction industry. Additional information about our executive officers follows.

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Executive Officers

Name	Age	Position
Irvin E. Richter	69	Chairman and Chief Executive Officer
David L. Richter	47	President and Chief Operating Officer, Director
Thomas J. Spearing III	47	President, Project Management Group (Americas)
Raouf S. Ghali	52	President, Project Management Group (International)
Frederic Z. Samelian	66	President, Construction Claims Group
John Fanelli III	59	Senior Vice President and Chief Financial Officer
Ronald F. Emma	62	Senior Vice President and Chief Accounting Officer
William H. Dengler, Jr.	47	Senior Vice President and General Counsel
Catherine H. Emma	54	Senior Vice President and Chief Administrative Officer

IRVIN E. RICHTER has been Chairman of our Board of Directors since 1985 and he has been Chief Executive Officer and a member of our Board of Directors since he founded the company in 1976. Mr. Richter is a Fellow of the Construction Management Association of America ("CMAA") and a member of the World Presidents' Organization. He is the author of several books including *Handbook of Construction Law & Claims* and *International Construction Claims: Avoiding and Resolving Disputes*. He serves or has served on a number of Boards of Directors, including Rutgers University, Temple University Hospital and the CMAA. Mr. Richter holds a B.A. in government from Wesleyan University and a J.D. from Rutgers University School of Law at Camden, and he has been named a Distinguished Alumnus at both schools.

DAVID L. RICHTER has been our President and Chief Operating Officer since March 2004, and he has been a member of our Board of Directors since 1998. Prior to his current position, he was President of our Project Management Group from 2001 to 2004. Before that, Mr. Richter was Senior Vice President and General Counsel from 1999 to 2001 and Vice President and General Counsel from 1995 to 1999. Prior to joining us, he was an attorney with the New York City law firm of Weil, Gotshal & Manges LLP from 1992 to 1995. Mr. Richter is a Fellow of the CMAA and a member of the Young Presidents' Organization, the Construction Industry Round Table and the American Society of Civil Engineers. He is a former member of the Board of Trustees of the Southern New Jersey Development Council and the Board of Directors of the CMAA. Mr. Richter earned his B.S. in management, his B.S.E. in civil engineering and his J.D. from the University of Pennsylvania, and he is currently pursuing his M.Sc. in major program management from Oxford University. Mr. Richter is a son of Irvin E. Richter.

THOMAS J. SPEARING III has been President of our Project Management Group (Americas) since April 2009. He was Senior Vice President and Chief Strategy Officer, from September 2007 to March 2009. Prior to joining Hill, Mr. Spearing worked for more than ten years with STV Group, Inc., most recently as Principal-in-Charge of its western region. Before that, Mr. Spearing was a Vice President of business development with Hill. Mr. Spearing earned his B.B.A. in computer and information science from Temple University, his B.S. in construction management and his B.S. in civil engineering from Spring Garden College, and his M.S. in management from Rosemont College. He is active in several industry, community and charitable organizations. He is founding co-chair of Pennsylvanians for Transportation Solutions (Pen Trans), is a Women's Transportation Seminar board member, and is a member of the March of Dimes Transportation and Construction Committee and the Transit Builders' Trust. In addition, he has served in various leadership roles with the American Public Transit Association, including serving as chair, vice chair and secretary of its capital projects subcommittee. Mr. Spearing also is active in the Southern New Jersey Development Council, the AEC Business Builders Forum, and the CMAA, among others.

RAOUF S. GHALI has been President of our Project Management Group (International) since January 2005. He was Senior Vice President in charge of project management operations in Europe,

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North Africa and the Middle East from June 2001 to December 2004. During this time he was involved on some of the mega projects as project executive including Palm Island Jumeirah, Grand Egyptian Museum, National Latvian Library and several others. Mr. Ghali was a Vice President with us from 1993 to 2001. Prior to joining us, he worked for Walt Disney Imagineering from 1988 to 1993. Mr. Ghali earned both a B.S. in business administration and economics and an M.S. in business organizational management from the University of LaVerne.

FREDERIC Z. SAMELIAN has been President of our Construction Claims Group since January 2005. He was a Senior Vice President with us from March 2003 until December 2004. Before that, Mr. Samelian was President of Conex International, Inc., a construction dispute resolution firm, from 2002 to 2003 and from 2000 to 2001, an Executive Director with Greyhawk North America, Inc., a construction management and consulting firm, from 2001 to 2002, and a Director with PricewaterhouseCoopers LLP from 1998 to 2000. Before that, he had worked with Hill from 1983 to August 1998. He served as Hill's President and Chief Operating Officer from 1996 to 1998. Mr. Samelian has a B.A. in international affairs from George Washington University and an M.B.A. from Southern Illinois University at Edwardsville. He is a Project Management Professional certified by the Project Management Institute and he is a licensed General Building Contractor in California and Nevada. Mr. Samelian is also a Member of the Chartered Institute of Arbitrators (CIArb) and is a CIArb Accredited Mediator. Mr. Samelian is a licensed real estate salesperson in Nevada.

JOHN FANELLI III has been our Senior Vice President and Chief Financial Officer since September 2006. Before that, Mr. Fanelli was Vice President and Chief Accounting Officer of CDI Corp. from June 2005 until June 2006, and he was Vice President and Corporate Controller of CDI Corporation (a subsidiary of CDI Corp.) from October 2003 until June 2006. CDI Corp. is a New York Stock Exchange-traded professional services and outsourcing firm based in Philadelphia with expertise in engineering, technical services and information technology. During 2003, Mr. Fanelli was a financial consultant to Berwind Corporation, an investment management company based in Philadelphia which owns a diversified portfolio of manufacturing and service businesses and real estate. Before that, Mr. Fanelli was employed for 18 years by Hunt Corporation, then a New York Stock Exchange-traded manufacturer and marketer of office products. At Hunt, he served as Vice President and Chief Accounting Officer from 1995 until 2003, and before that as Director of Budgeting, Financial Analysis and Control, from 1985 to 1995. Before that, Mr. Fanelli was employed with Coopers & Lybrand for eight years in various accounting and auditing positions. Mr. Fanelli earned his B.S. in accounting from LaSalle University, and he is a Certified Public Accountant in Pennsylvania.

RONALD F. EMMA has been our Senior Vice President and Chief Accounting Officer since January 2007. Mr. Emma had been Senior Vice President of Finance from August 1999 to January 2007. Before that, he was Vice President of Finance. Mr. Emma has been with Hill since 1980. Before joining Hill, he was Assistant Controller of General Energy Resources, Inc., a mechanical contracting firm, and prior to that was a Staff Accountant with the accounting firm of Haskins & Sells. Mr. Emma has a B.S. in accounting from St. Joseph's University and is a Certified Public Accountant in New Jersey.

WILLIAM H. DENGLER, JR. has been our Senior Vice President and General Counsel since March 2007. Mr. Dengler was previously Vice President and General Counsel from January 2002 to March 2007, and Corporate Counsel from 2001 to 2002. Mr. Dengler also serves as corporate secretary to Hill and its subsidiaries. Prior to joining Hill, Mr. Dengler served as Assistant Counsel to former New Jersey Governors Donald DiFrancesco and Christine Todd Whitman from 1999 to 2001. Mr. Dengler earned his B.A. in political science from Western Maryland College and his J.D. from Rutgers University School of Law at Camden. He is licensed to practice law in New Jersey, as well as before the U.S. Court of Appeals for the Third Circuit and the U.S. Supreme Court.

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CATHERINE H. EMMA has been our Senior Vice President and Chief Administrative Officer since January 2007. Ms. Emma had been Vice President and Chief Administrative Officer from August 2005 to January 2007. Before that, she served as Vice President of Human Resources and Administration. Ms. Emma has been with Hill since 1982. She is certified by the Society for Human Resource Management as a Professional in Human Resources (PHR) and has held professional memberships with Tri-State Human Resources, the Society for Human Resource Management and the BNA Human Resources Personnel Policies Forum. Ms. Emma is the wife of Ronald F. Emma.

Employees

At February 28, 2014, we had 4,111 personnel. Of these individuals 3,345 worked in our Project Management Group, 650 worked in our Construction Claims Group and 116 worked in our Corporate Group. Our personnel included 3,383 full-time employees, 249 part-time employees and 479 independent contractors. We are not a party to any collective bargaining agreements and we have not experienced any strikes or work stoppages. We consider our relationship with our employees to be satisfactory.

Access to Company Information

We electronically file our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports with the Securities and Exchange Commission (the "SEC"). The public may read and copy any of the reports that are filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC maintains an Internet site www.sec.gov that contains periodic reports, proxy statements, information statements and other information regarding issuers that file electronically.

We make available, free of charge, through our website or by responding to requests addressed to our Legal Department, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed by us with the SEC pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act, as amended. These reports are available as soon as practicable after such material is filed with or furnished to the SEC. Our primary website is www.hillintl.com. We post the charters for our audit, compensation and governance and nominating committees, corporate governance principles and code of ethics in the "Investor Relations" section of our website. The information contained on our website, or on other websites linked to our website, is not part of this document.

Item 1A. Risk Factors.

Our business involves a number of risks, some of which are beyond our control. The risks and uncertainties described below could individually or collectively have a material adverse effect on our business, assets, profitability or prospects. While these are not the only risks and uncertainties we face, we believe that the more significant risks and uncertainties are as follows:

Risks Affecting the Business

Acts of terrorism, political, governmental and social upheaval and threats of armed conflicts in or around various areas in which we operate could limit or disrupt markets and our operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts or the loss of personnel.

Acts of terrorism, political, governmental and social upheaval and threats of armed conflicts in or around various areas in which we operate could limit or disrupt markets and our operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts or the loss of personnel, and may affect timing and collectibility of our accounts receivable. Such events may cause further disruption to financial and commercial markets and may generate greater political and economic instability in some of the geographic areas in which we operate. In addition, any possible reprisals as a consequence of the wars and ongoing military action in the Middle East and Africa, such as acts of terrorism in the United States or elsewhere, could have a material adverse effect on our business, results of operations and financial position.

If our clients delay in paying or fail to pay amounts owed to us, it could have a material adverse effect on our liquidity, results of operations and financial condition.

Accounts receivable represent the largest asset on our balance sheet. While we take steps to evaluate and manage the credit risks relating to our clients, economic downturns or other events can adversely affect the markets we serve and our clients ability to pay, which could reduce our ability to collect all amounts due from clients. In addition, the political unrest in countries in which we operate has impacted and may in the future impact our collections on accounts receivable. If our clients delay in paying or fail to pay us a significant amount of our outstanding receivables, it could have a material adverse effect on our liquidity, results of operations, and financial condition.

For example, due to the political unrest in Libya in February 2011, we suspended our operations in and demobilized substantially all of our personnel from Libya. We have open but inactive contracts in Libya. During 2013 and early 2014, we received payments of approximately $9,200,000 from our client, the Libyan Organization for the Development of Administrative Centres ("ODAC"), for work performed prior to March 2011. The remaining accounts receivable balance with ODAC is now $50,800,000. Since the end of the Libyan civil unrest in October 2011, the Company has sought to recover its receivable from ODAC through ongoing negotiations rather than pursue its legal rights for payment under the contracts. The Company believes that this course of action provides the best likelihood for recovery as it could result in completion of and payment on the existing contracts as well as the potential for the award of new contracts. There is at present no agreement, understanding or timetable for further payments of Hill's accounts receivable from ODAC or a return to work on Hill's existing contracts. However, management believes that these payments, along with letters of credit of approximately $14,000,000 posted in our favor by ODAC, were made in good faith and are a positive indication that ODAC intends to satisfy its obligations to Hill. However, the Company cannot predict with certainty when, or if, the remaining accounts receivable will be paid by the Libyan authorities or when work will resume there. In the event that we do not realize any further payments, there could be a significant adverse impact on our results of operations and financial position.

Unfavorable global economic conditions could adversely affect our business, liquidity and financial results.

The markets that we serve are cyclical and subject to fluctuation based on general global economic conditions and other factors. Unfavorable global economic conditions, including disruption of financial markets in the United States, Europe and elsewhere, could adversely affect our business and results of operations, primarily by limiting our access to credit and disrupting our clients' businesses. The reduction in financial institutions' willingness or ability to lend has increased the cost of capital and reduced the availability of credit. Although we currently believe that the financial institutions with which we do business will be able to fulfill their commitments to us, there is no assurance that those institutions will be able or willing to continue to do so, which could have a material adverse impact on our business. The current European debt crisis and related European restructuring efforts may cause the value of European currencies, including the Euro and British pound sterling, to deteriorate, thus reducing the purchasing power of European clients and reducing the translated amounts of U.S. dollar revenues. For the year ended December 31, 2013, 14.7% of our consulting fee revenue was attributable to European clients. In addition, continuation or worsening of general market conditions in the United States, Europe or other national economies important to our businesses may adversely affect our clients' level of spending, ability to obtain financing, and ability to make timely payments to us for our

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services, which could require us to increase our allowance for doubtful accounts, negatively impact our days sales outstanding and adversely affect our results of operations.

We cannot be certain that we will be able to raise capital or obtain debt financing to meet required capital needs.

We are currently party to a revolving credit agreement to assist in funding working capital needs. This agreement provides for a maximum total outstanding debt (that is, borrowings plus letters of credit) amounting to $65,000,000. The Company is required to comply with certain financial covenants with respect to leverage ratios and a fixed charge ratio as well as other covenants. If our operating results and financial liquidity are not as positive as we expect, that could cause us to be in violation of these covenants.

In addition, our current revolving credit agreement may not provide us with sufficient credit to meet all of the future financial needs of our business. We may be unable to increase availability under our current revolving credit agreement or obtain alternative debt or equity financing on terms that would be acceptable to us, or at all.

We may be unable to win new contract awards if we cannot provide clients with letters of credit, bonds or other forms of guarantees.

In certain international regions, primarily the Middle East, it is industry practice for clients to require letters of credit, bonds, bank guarantees or other forms of guarantees. These letters of credit, bonds or guarantees indemnify our clients if we fail to perform our obligations under our contracts. We currently have relationships with various domestic and international banking institutions to assist us in providing clients with letters of credit or guarantees. Because of current overall limitations in worldwide banking capacity, we may find it difficult to find sufficient bonding capacity to meet our future bonding needs. Failure to provide credit enhancements on terms required by a client may result in our inability to compete or win a project.

International operations and doing business with foreign governments expose us to legal, political, operational and economic risks in different countries and currency exchange rate fluctuations could adversely affect our financial results.

Our international operations contributed 77.0%, 72.6% and 71.9% of our consulting fee revenue for the years ended December 31, 2013, 2012 and 2011, respectively. There are risks inherent in doing business internationally, including:

- Lack of developed legal systems to enforce contractual rights;
- Foreign governments may assert sovereign or other immunity if we seek to assert our contractual rights thus depriving us of any ability to seek redress against them;
- Greater difficulties in managing and staffing foreign operations;
- Differences in employment laws and practices which could expose us to liabilities for payroll taxes, pensions and other expenses;
- Inadequate or failed internal controls, processes, people, and systems associated with foreign operations;
- Increased logistical complexity;
- Increased selling, general and administrative expenses associated with managing a larger and more global business;
- Greater risk of uncollectible accounts and longer collection cycles;

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- Currency exchange rate fluctuations;
- Restrictions on the transfer of cash from certain foreign countries;
- Imposition of governmental controls;
- Political and economic instability;
- Changes in U.S. and other national government policies affecting the markets for our services and our ability to do business with certain foreign governments or their political leaders;
- Conflict between U.S. and non-U.S. law;
- Changes in regulatory practices, tariffs and taxes;
- Less well established bankruptcy and insolvency procedures;
- Potential non-compliance with a wide variety of non-U.S. laws and regulations; and
- General economic, political and civil conditions in these foreign markets.

Any of these factors could have a material adverse effect on our business, results of operations, financial condition or cash flows.

We operate in many different jurisdictions and we could be adversely affected by any violations of the U.S. Foreign Corrupt Practices Act or similar worldwide and local anti-corruption laws.

The U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010 and similar worldwide and local anti-corruption laws in other jurisdictions, generally prohibit companies and their intermediaries from making improper payments to officials for the purpose of obtaining or retaining business. Our internal policies mandate compliance with these anti-corruption laws. The policies also are applicable to agents through which we do business in certain non-U.S. jurisdictions. We operate in many parts of the world that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. Despite our training and compliance programs, we cannot assure you that our internal control policies and procedures always will protect us from improper or criminal acts committed by our employees or agents. Our continued expansion outside the U.S., including in developing countries, could increase the risk of such violations in the future. Violations of these laws, or allegations of such violations, could disrupt our business, subject us to fines, penalties and restrictions and otherwise result in a material adverse effect on our results of operations or financial condition. All of our recently acquired businesses are subject to our internal policies. However, because our internal policies are more restrictive than some local laws or customs where we operate, we may be at an increased risk for violations while we train our new employees to comply with our internal policies and procedures.

Our business sometimes requires our employees to travel to and work in high security risk countries, which may result in employee injury, repatriation costs or other unforeseen costs.

Many of our employees often travel to and work in high security risk countries around the world that are undergoing or that may undergo political, social and economic upheavals resulting in war, civil unrest, criminal activity or acts of terrorism. For example, we have had and expect to have significant projects in the Middle East and Africa, including in Afghanistan, Iraq, Libya, Egypt, Saudi Arabia, Qatar and Oman. As a result, we may be subject to costs related to employee injury, repatriation or other unforeseen circumstances. Further, circumstances in these countries could make it difficult or impossible to attract and retain qualified employees. Our inability to attract and retain qualified employees to work in these counties could have a material adverse effect on our operations.

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Our business is sensitive to oil and gas prices, and fluctuations in oil and gas prices may negatively affect our business.

Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control. In 2013, approximately 47.2% of our consulting fee revenue was derived from our operations in major oil and gas producing countries in the Middle East and Africa. A significant drop in oil or gas prices could lead to a slowdown in construction in these regions, which could have a material adverse effect on our business, results of operations, financial condition or cash flows.

We depend on government contracts for a significant portion of our consulting fee revenue. Our inability to win profitable government contracts could harm our operations and adversely affect our net earnings.

In 2013, U.S. federal government contracts and U.S. state, regional and local government contracts contributed approximately 2.9% and 13.6%, respectively, of our consulting fee revenue, and foreign government contracts contributed approximately 35.3% of our consulting fee revenue. Our inability to win profitable government contracts could harm our operations and adversely affect our net earnings. Government contracts are typically awarded through a heavily regulated procurement process. Some government contracts are awarded to multiple competitors, causing increases in overall competition and pricing pressure. In turn, the competition and pricing pressure may require us to make sustained post-award efforts to reduce costs under these contracts. If we are not successful in reducing the amount of costs, our profitability on these contracts may be negatively impacted. Also, some of our federal government contracts require U.S. government security clearances. If we or certain of our personnel were to lose these security clearances, our ability to continue performance of these contracts or to win new contracts requiring such clearances may be negatively impacted.

We depend on long-term government contracts, many of which are funded on an annual basis. If appropriations are not made in subsequent years of a multiple-year contract, we will not realize all of our potential revenue and profit from that project.

A significant portion of our consulting fee revenue is derived from contracts with federal, state, regional, local and foreign governments. During the years ended December 31, 2013, 2012 and 2011, approximately 51.8%, 40.9% and 40.6%, respectively, of our consulting fee revenue were derived from such contracts.

Most government contracts are subject to the continuing availability of legislative appropriation. Legislatures typically appropriate funds for a given program on a year-by-year basis, even though contract performance may take more than one year. As a result, at the beginning of a program, the related contract is only partially funded, and additional funding is normally committed only as appropriations are made in each subsequent fiscal year. These appropriations and the timing of payment of appropriated amounts may be influenced by, among other things, the state of the economy, budgetary and other political issues affecting the particular government and its appropriations process, competing priorities for appropriation, the timing and amount of tax receipts and the overall level of government expenditures. If appropriations are not made in subsequent years on government contracts, then we will not realize all of our potential revenue and profit from those contracts.

We depend on contracts that may be terminated by our clients on short notice, which may adversely impact our ability to recognize all of our potential revenue and profit from the project.

Substantially all of our contracts are subject to termination by the client either at its convenience or upon our default. If one of our clients terminates a contract at its convenience, then we typically are able to recover only costs incurred or committed, settlement expenses and profit on work completed prior to termination, which could prevent us from recognizing all of our potential revenue and profit

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from that contract. If one of our clients terminates the contract due to our default, we could be liable for excess costs incurred by the client in re-procuring services from another source, as well as other costs.

Our business is subject to numerous laws, regulations and restrictions, and failure to comply with these laws, regulations and restrictions could subject us to fines, penalties, suspension or debarment.

Our contracts and operations are subject to various laws and regulations. Prime contracts with various agencies of the U.S. federal government, and subcontracts with other prime contractors, are subject to numerous procurement regulations, including the Federal Acquisition Regulations and the False Claims Act. We could be subject to fines, penalties or debarment, or suspended from receiving additional contracts with all U.S. government agencies if any one agency finds that we are not in compliance with the appropriate regulations. Although a small percentage of our business is from U.S. federal government contracts, suspension or debarment from business with the U.S. federal government could impact other public-sector clients and have a material adverse effect on our financial results.

Our international business subjects us to numerous U.S. and foreign laws and regulations, including, without limitation, regulations relating to economic sanctions and other trade controls, technology transfer restrictions, repatriation of earnings, exchange controls, the FCPA and the anti-boycott provisions of the U.S. Export Administration Act. Changes in regulations or political environments may affect our ability to conduct business in foreign markets including investment, procurement and repatriation of earnings. Failure by us or our sales representatives or consultants to comply with these laws and regulations could result in certain liabilities and could possibly result in suspension or debarment from government contracts, which could have other repercussions and thus could have a material adverse effect on our financial results.

Our contracts with governmental agencies are subject to audit, which could result in adjustments to reimbursable contract costs or, if we are charged with wrongdoing, possible temporary or permanent suspension from participating in government programs.

Our books and records are subject to audit by the various governmental agencies we serve and by their representatives. These audits can result in adjustments to reimbursable contract costs and allocated overhead. In addition, if as a result of an audit, we or one of our subsidiaries is charged with wrongdoing or the government agency determines that we or one of our subsidiaries is otherwise no longer eligible for federal contracts, then we or, as applicable, that subsidiary, could be temporarily suspended or, in the event of convictions or civil judgments, could be prohibited from bidding on and receiving future government contracts for a period of time. Furthermore, as a U.S. government contractor, we are subject to an increased risk of investigations, criminal prosecution, civil fraud, whistleblower lawsuits and other legal actions and liabilities, the results of which could have a material adverse effect on our operations.

We submit change orders to our clients for work we perform beyond the scope of some of our contracts. If our clients do not approve these change orders, our net earnings could be adversely impacted.

We typically submit change orders under some of our contracts for payment for work performed beyond the initial contractual requirements. The clients may not approve or may contest these change orders and we cannot assure you that these claims will be approved in whole, in part or at all. If these claims are not approved, our net earnings could be adversely impacted.

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Because our backlog of uncompleted projects under contract or awarded is subject to unexpected adjustments and cancellations, including the amount, if any, of future appropriations by the applicable contracting governmental agency, it may not be indicative of our future revenue and profits.

At December 31, 2013, our backlog of uncompleted projects under contract or awarded was approximately $1.027 billion. The inability to obtain financing or governmental approvals, changes in economic or market conditions or other unforeseen events, such as terrorist acts or natural disasters, could lead to us not realizing any revenue under some or all of these contracts. We cannot assure you that the backlog attributed to any of our uncompleted projects under contract will be realized as revenue or, if realized, will result in profits.

Many projects may remain in our backlog for an extended period of time because of the size or long-term nature of the contract. In addition, from time to time projects are scaled back or cancelled. These types of backlog reductions adversely affect the revenue and profit that we ultimately receive. Included in our backlog is the maximum amount of all indefinite delivery/indefinite quantity ("ID/IQ"), or task order, contracts, or a lesser amount if we do not reasonably expect to be issued task orders for the maximum amount of such contracts. A significant amount of our backlog is derived from ID/IQ contracts and we cannot provide any assurance that we will in fact be awarded the maximum amount of such contracts.

Our dependence on subcontractors, partners and specialists could adversely affect our business.

We rely on third-party subcontractors as well as third-party strategic partners and specialists to complete our projects. To the extent that we cannot engage such subcontractors, partners or specialists or cannot engage them on a competitive basis, our ability to complete a project in a timely fashion or at a profit may be impaired. If we are unable to engage appropriate strategic partners or specialists in some instances, we could lose the ability to win some contracts. In addition, if a subcontractor or specialist is unable to deliver its services according to the negotiated terms for any reason, including the deterioration of its financial condition or over-commitment of its resources, we may be required to purchase the services from another source at a higher price. This may reduce the profit to be realized or result in a loss on a project for which the services were needed.

If our partners fail to perform their contractual obligations on a project, we could be exposed to legal liability, loss of reputation or reduced profits.

We sometimes enter into joint venture agreements and other contractual arrangements with outside partners to jointly bid on and execute a particular project. The success of these joint projects depends on the satisfactory performance of the contractual obligations of our partners. If any of our partners fails to satisfactorily perform its contractual obligations, we may be required to make additional investments and provide additional services to complete the project. If we are unable to adequately address our partner's performance issues, then our client could terminate the joint project, exposing us to legal liability, loss of reputation or reduced profits.

Our services expose us to significant risks of liability and our insurance policies may not provide adequate coverage.

Our services involve significant risks of professional and other liabilities that may substantially exceed the fees that we derive from our services. In addition, we sometimes contractually assume liability under indemnification agreements. We cannot predict the magnitude of potential liabilities from the operation of our business.

We currently maintain comprehensive general liability, umbrella and professional liability insurance policies. Professional liability policies are "claims made" policies. Thus, only claims made during the term of the policy are covered. Additionally, our insurance policies may not protect us against potential

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liability due to various exclusions and retentions. Partially or completely uninsured claims, if successful and of significant magnitude, could have a material adverse effect on our business.

The project management and construction claims businesses are highly competitive and if we fail to compete effectively, we may miss new business opportunities or lose existing clients and our revenues and profitability may decline.

The project management and construction claims industries are highly competitive. We compete for contracts, primarily on the basis of technical capability, with numerous entities, including design or engineering firms, general contractors, other "pure" construction management companies, other claims consulting firms, the "Big Four" and other accounting firms, management consulting firms and other entities. Compared to us, many of these competitors are larger, well-established companies that have broader geographic scope and greater financial and other resources. If we cannot compete effectively with our competitors, or if the costs of competing, including the costs of retaining and hiring professionals, become too expensive, our revenue growth and financial results may differ materially from our expectations.

We have acquired and may continue to acquire businesses as strategic opportunities arise and may be unable to realize the anticipated benefits of those acquisitions, or if we are unable to take advantage of strategic acquisition situations, our ability to expand our business may be slowed or curtailed.

Over the past 16 years, we have acquired 22 businesses and our strategy is to continue to expand and diversify our operations with additional acquisitions as strategic opportunities arise. If the competition for acquisitions increases, or if the cost of acquiring businesses or assets becomes too expensive, the number of suitable acquisition opportunities may decline, the cost of making an acquisition may increase or we may be forced to agree to less advantageous acquisition terms for the companies that we are able to acquire. Alternatively, at the time an acquisition opportunity presents itself, internal and external pressures (including, but not limited to, borrowing capacity under our credit facilities or the availability of alternative financing), may cause us to be unable to pursue or complete an acquisition. Our ability to grow our business, particularly through acquisitions, may depend on our ability to raise capital by selling equity or debt securities or obtaining additional debt financing. There can be no assurance that we will be able to obtain financing when we need it or on terms acceptable to us. Some of the financial, business and operational risks associated with acquisitions include:

- Unexpected losses of key personnel or clients of the acquired business;
- Difficulties arising from the increasing scope, geographic diversity and complexity of our operations;
- Difficulties in integrating diverse corporate cultures and management styles;
- Increased costs to improve or coordinate managerial, operational, financial and administrative systems;
- Dilutive issuances of equity securities;
- Increased amortization expense of acquired intangible assets;
- Changes in future market conditions could materially affect the determination of fair value and/or the impairment of goodwill acquired in connection with business combinations may result in future impairment charges;
- Undisclosed or unknown liabilities associated with the acquired business;
- Diversion of management's attention from other business concerns; and
- Adverse effects on existing business relationships with clients.

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In addition, managing the growth of our operations will require us to continually increase and improve our operational, financial and human resources management and our internal systems and controls. If we are unable to manage growth effectively or to successfully integrate acquisitions or if we are unable to grow our business, that could have a material adverse effect on our business.

We may be required to write-off all or a portion of the carrying value of intangibles and goodwill of companies we have acquired.

At December 31, 2013, we had $24,964,000 of intangible assets and $85,853,000 of goodwill which represent 5.6% and 19.1% of our total assets. Under U.S. generally accepted accounting principles, we are required to test the carrying value of our intangible assets, including goodwill, for impairment at least annually or when events or changes in circumstances indicate the carrying value may not be recoverable. Factors that may be considered a change in circumstances, indicating that the carrying value of our goodwill or other intangible assets may not be recoverable, include a sustained decline in our stock price and market capitalization, reduced future cash flow estimates and slower growth rates in our industry. We may be required to record a significant non-cash impairment charge in our financial statements during the period in which any impairment of our goodwill or other intangible assets is determined, negatively impacting our results of operations and financial condition.

Our effective tax rate may increase or decrease.

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities. Although we believe that our tax estimates and tax positions are reasonable, they could be materially affected by many factors including the final outcome of tax audits and related litigation, the introduction of new tax accounting standards, legislation, regulations, and related interpretations, our global mix of earnings, the realizability of deferred tax assets and changes in uncertain tax positions. A significant increase in our effective tax rate could have a material adverse effect on our financial condition and results of operations.

Systems and information technology interruption and breaches in data security could adversely impact our ability to operate and our operating results.

As a global company, we are heavily reliant on computer, information and communications technology and related systems in order to properly operate. From time to time, we experience system interruptions and delays. In the event we are unable to regularly deploy software and hardware, effectively upgrade our systems and network infrastructure, and take other steps to improve the efficiency and effectiveness of our systems, the operation of such systems could be interrupted or delayed, or our data security could be breached. In addition, our computer and communications systems and operations could be damaged or interrupted by natural disasters, power loss, telecommunications failures, acts of war or terrorism, acts of God, computer viruses, physical or electronic security breaches. Any of these or other events could cause system interruptions, delays, and loss of critical data including private data. While we have taken steps to address these concerns by implementing sophisticated network security and internal control measures, there can be no assurance that a system failure or loss or data security breach will not materially adversely affect our business, financial condition and operating results.

If our internal controls prove to be ineffective, it could impact our business and operating results.

Our internal control over financial reporting may not prevent or detect misstatements because of the inherent limitations of internal controls or otherwise, including the possibility of human error, the circumvention or overriding of controls or fraud. Even effective internal controls can provide only

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reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business and operating results could be harmed and we could fail to meet our financial reporting obligations.

Our use of accounting estimates involves judgment and could impact our financial results.

The application of generally accepted accounting principles requires us to make estimates and assumptions about certain items and future events that directly affect our reported financial condition. Our most critical accounting estimates are described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", under "Critical Accounting Policies." In addition, as discussed in Note 14, "Commitments and Contingencies," we make certain estimates including decisions related to legal proceedings and reserves. These estimates and assumptions involve the use of judgment. As a result, actual financial results may differ.

Risks Related to Ownership of Our Common Stock

The market price for our common stock could be volatile and could decline, resulting in a substantial or complete loss of your investment.

The stock markets, including the New York Stock Exchange on which our common stock is listed, have experienced significant price and volume fluctuations. As a result, the market price of our common stock could be similarly volatile, and investors in our common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including:

- Our operating performance and the performance of other similar companies;
- Actual or anticipated differences in our operating results;
- Changes in our revenue or earnings estimates or recommendations by securities analysts;
- Publication of research reports about us or our industry by securities analysts;
- Additions and departures of key personnel;
- Speculation in the press or investment community;
- Actions by institutional stockholders;
- Changes in accounting principles;
- Terrorist acts and other events affecting political, economic or civil conditions in one or more foreign countries in which we operate; and
- General economic and market conditions, including factors unrelated to our performance.

Future sales of our common and preferred stock may depress the price of our common stock.

As of March 6, 2014, there were 40,168,591 shares of our common stock outstanding. An additional 6,574,156 shares of our common stock may be issued upon the exercise of options held by employees, management and directors. We also have the authority to issue up to 1,000,000 shares of preferred stock upon terms that are determined by our Board of Directors and additional options to purchase 1,366,844 shares of our common stock without stockholder approval. In addition, in 2011, we registered with the SEC for the potential issuance of 20,000,000 common shares and 8,000,000 common shares. These shares may be used for working capital and general corporate purposes, or used in future acquisitions, respectively, subject to the restrictions of our Credit Agreement. During 2013, we issued

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1,389,769 shares of our common stock in connection with two acquisitions. Sales of a substantial number of these shares in the public market, or factors relating to the terms we may determine for our preferred stock, options or warrants, could decrease the market price of our common stock. In addition, the perception that such sales might occur may cause the market price of our common stock to decline. Future issuances or sales of our common stock could have an adverse effect on the market price of our common stock.

Because we have no current plans to pay cash dividends on our common stock, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operations, expansion and debt repayment and have no current plans to pay any cash dividends. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our Board of Directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our revolving credit agreement. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

We are able to issue shares of preferred stock with greater rights than our common stock.

Our Board of Directors is authorized to issue one or more series of preferred stock from time to time without any action on the part of our stockholders. Our Board of Directors also has the power, without stockholder approval, to set the terms of any such series of preferred stock that may be issued, including voting rights, dividend rights and preferences over our common stock with respect to dividends and other terms. If we issue preferred stock in the future that has a preference over our common stock with respect to the payment of dividends or other terms, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

Provisions in our organizational documents and Delaware law could discourage potential acquisition proposals, could delay or prevent a change in control of the Company that our stockholders may consider favorable and could adversely affect the market value of our common stock.

Provisions in our organizational documents and Delaware law could discourage potential acquisition proposals, could delay or prevent a change in control of the Company that our stockholders may consider favorable and could adversely affect the market value of our common stock. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- Our Board of Directors is expressly authorized to make, alter or repeal our bylaws;

- Our Board of Directors is divided into three classes of service with staggered three-year terms. This means that only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective terms;

- Our Board of Directors is authorized to issue preferred stock without stockholder approval;

- Only our Board of Directors, our Chairman of the Board, our Chief Executive Officer or the holders of a majority in amount of our capital stock issued and outstanding and entitled to vote may call a special meeting of stockholders; this means that minority stockholders cannot force stockholder consideration of a proposal, including a proposal to replace our Board of Directors, by calling a special meeting of stockholders prior to such time authorized by our Board of

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Directors, our Chairman of the Board, our Chief Executive Officer or the holders of a majority in amount of our capital stock issued and outstanding and entitled to vote;

Our bylaws require advance notice for stockholder proposals and director nominations;

Our bylaws limit the removal of directors and the filling of director vacancies; and

We will indemnify officers and directors against losses that may incur in connection with investigations and legal proceedings resulting from their services to us, which may include services in connection with takeover defense measures.

These provisions may make it more difficult for stockholders to take specific corporate actions and could have the effect of delaying or preventing a change in control of the Company.

In addition, Section 203 of the Delaware General Corporation Law imposes certain restrictions on mergers and other business combinations between the Company and any holder of 15% or more of our outstanding common stock. This provision is applicable to Hill and may have an anti-takeover effect that may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in the stockholder's best interest. In general, Section 203 could delay for three years and impose conditions upon "business combinations" between an "interested shareholder" and Hill, unless prior approval by our Board of Directors is given. The term "business combination" is defined broadly to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder. An "interested shareholder," in general, would be a person who, together with affiliates and associates, owns, or within three years, did own, 15% or more of a corporation's voting stock.

A small group of stockholders own a large quantity of our common stock thereby potentially exerting significant influence over the Company.

As of December 31, 2013, Irvin E. Richter, David L. Richter and other members of the Richter family beneficially owned approximately 33% of our common stock. This concentration of ownership could significantly influence matters requiring stockholder approval and could delay, deter or prevent a change in control of the Company or other business combinations that might otherwise be beneficial to our other stockholders. Accordingly, this concentration of ownership may impact the market price of our common stock. In addition, the interest of our significant stockholders may not always coincide with the interest of the Company's other stockholders. In deciding how to vote on such matters, they may be influenced by interests that conflict with our other stockholders.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our executive and operating offices are located at 303 Lippincott Centre, Marlton, New Jersey 08053. We lease all of our office space and do not own any real property. The telephone number at our executive office is (856) 810-6200. In addition to our executive offices, we have approximately 100 operating leases for office facilities throughout the world. Due to acquisition and growth we may have more than one operating lease in the cities in which we are located. Additional space may be required as our business expands geographically, but we believe we will be able to obtain suitable space as needed.

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As of February 28, 2014, our principal worldwide office locations and the geographic regions in which we reflect their operations are:

U.S./Canada
Albuquerque, NM
Atlanta, GA
Austin, TX
Bensalem, PA
Boston, MA
Broadview Heights, OH
Columbus, OH
Danbury, CT
Fresno, CA
Granite Bay, CA
Hartford, CT
Houston, TX
Irvine, CA
Irving, TX
Jacksonville, FL
Las Vegas, NV
Lemont Furnace, PA
Los Angeles, CA
Marlton, NJ
Miami, FL
Montgomeryville, PA
New Orleans, LA
New York, NY
Ontario, CA
Orlando, FL
Perrysburg, OH
Philadelphia, PA
Phoenix, AZ
Pittsburgh, PA
Providence, RI
San Diego, CA
San Francisco, CA
Seattle, WA
Spokane, WA
Tampa, FL
Toronto, Canada
Washington, DC

Europe
Amsterdam, Netherlands
Ankara, Turkey
Athens, Greece
Baku, Azerbaijan
Barcelona, Spain
Belgrade, Serbia
Birmingham, UK
Bristol, UK
Bucharest, Romania
Daresbury, UK
Dusseldorf, Germany
Edinburgh, Scotland
Istanbul, Turkey
Leeds, UK
London, UK
Madrid, Spain
Montreal, France
Munich, Germany
Pristina, Kosovo
Riga, Latvia
Teesside, UK
Warsaw, Poland

Latin America
Bogota, Colombia
Mexico City, Mexico
Rio de Janeiro, Brazil
Santiago, Chile
Sao Paulo, Brazil
Trinidad and Tobago

Middle East
Abu Dhabi, UAE
Aqaba, Jordan
Doha, Qatar
Dubai, UAE
Jeddah, Saudi Arabia
Kabul, Afghanistan
Manama, Bahrain
Muscat, Oman
Riyadh, Saudi Arabia
Sharq, Kuwait

Africa
Cairo, Egypt
Cape Town, South Africa
Casablanca, Morocco
Johannesburg, South Africa
Tripoli, Libya

Asia/Pacific
Beijing, China
Brisbane, Australia
Danang City, Vietnam
Hong Kong, China
Kuala Lumpur, Malaysia
Manila Philippines
Perth, Australia
Shanghai, China
Singapore
Sydney, Australia

Item 3. Legal Proceedings.

General Litigation

M.A. Angeliades, Inc. ("Plaintiff") has filed a complaint with the Supreme Court of New York against the Company and the New York City Department of Design and Construction ("DDC") regarding payment of approximately $8,771,000 for work performed as a subcontractor to the Company plus interest and other costs. The Company has accrued approximately $2,340,000, including interest of $448,000, based on invoices received from Plaintiff who has refused to provide invoices for the additional work that Plaintiff claims to have performed. Until such time as the Company obtains invoices for the additional work and is able to provide those invoices to DDC for reimbursement or there is a full resolution of the litigation, it has no intention of paying Plaintiff. The Company believes that its position is defensible, however, there can be no assurance that it will receive a favorable verdict should this case proceed to trial.

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From time to time, the Company is a defendant or plaintiff in various legal actions which arise in the normal course of business. As such the Company is required to assess the likelihood of any adverse outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of the provision required for these commitments and contingencies, if any, which would be charged to earnings, is made after careful analysis of each matter. The provision may change in the future due to new developments or changes in circumstances. Changes in the provision could increase or decrease the Company's earnings in the period the changes are made. It is the opinion of management, after consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is traded on the New York Stock Exchange ("NYSE") under the trading symbol "HIL." The following table includes the range of high and low trading prices for our common stock as reported on the NYSE for the periods presented.

	Price Range	
	High	Low
2013		
Fourth Quarter	**$ 3.95**	**$ 3.22**
Third Quarter	**3.30**	**2.61**
Second Quarter	**3.32**	**2.52**
First Quarter	**4.06**	**2.71**
2012		
Fourth Quarter	$ 4.48	$ 2.80
Third Quarter	4.44	2.96
Second Quarter	4.00	2.74
First Quarter	6.69	3.93

Stockholders

As of December 31, 2013, there were 94 holders of record of our common stock. However, a single record stockholder account may represent multiple beneficial owners, including owners of shares in street name accounts. We believe there are approximately 5,000 beneficial owners of our common stock.

Dividends

We have not paid any dividends on our common stock. The payment of dividends in the future will be contingent upon our earnings, if any, capital requirements and general financial condition of our business. Our Credit Agreement currently precludes the payment of dividends.

Securities Authorized for Issuance under Equity Compensation Plans

The table setting forth this information is included in Part III Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Recent Sales of Unregistered Securities

None.

Performance Graph

The performance graph and table below compare the cumulative total return of our common stock for the period December 31, 2008 to December 31, 2013 with the comparable cumulative total returns of the Russell 2000 Index (of which the Company is a component stock) and a peer group which consists of the following ten companies: AECOM Technology Corp. (ACM), Exponent, Inc. (EXPO), Fluor Corporation (FLR), ICF International, Inc. (ICFI), Jacobs Engineering Group, Inc. (JEC), KBR, Inc. (KBR), Navigant Consulting, Inc. (NCI), Tutor Perini Corp. (TPC), Tetra Tech, Inc. (TTEK),

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and URS Corp. (URS). In October 2013, Michael Baker Corp. (BKR) ceased to be a publicly-traded company and was replaced by KBR, Inc. (KBR) for purposes of determining our peer group.

	2008	2009	2010	2011	2012	2013
Hill International, Inc.	$ 100.00	$ 88.64	$ 91.90	$ 73.01	$ 51.99	$ 56.11
Russell 2000 Index	100.00	127.09	161.17	154.44	179.75	249.53
New Peer Group	100.00	97.54	121.38	100.56	113.44	152.23
Old Peer Group	100.00	94.91	112.93	91.66	104.30	145.12

Item 6. Selected Financial Data.

The following is selected financial data from the Company's audited consolidated financial statements for each of the last five years. This data should be read in conjunction with the Company's consolidated financial statements (and related notes) appearing elsewhere in this report and with

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Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations". The data presented below is in thousands, except for earnings (loss) per share data.

	Years Ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Income Statement Data:					
Consulting fee revenue	**$ 512,085**	$ 417,598	$ 399,254	$ 382,099	$ 364,010
Reimbursable expenses	**64,596**	63,183	102,202	69,659	57,772
Total revenue	**576,681**	480,781	501,456	451,758	421,782
Cost of services	**296,055**	239,572	227,991	213,349	209,052
Reimbursable expenses	**64,596**	63,183	102,202	69,659	57,772
Total direct expenses	**360,651**	302,755	330,193	283,008	266,824
Gross profit	**216,030**	178,026	171,263	168,750	154,958
Selling, general and administrative expenses	**183,572**	172,779	175,312	151,634	136,683
Equity in earnings of affiliates			(190)	(1,503)	(8,222)
Operating profit (loss)	**32,458**	5,247	(3,859)	18,619	26,497
Interest and related financing fees, net	**22,864**	18,150	7,262	3,144	1,737
Earnings (loss) before income taxes	**9,594**	(12,903)	(11,121)	15,475	24,760
Income tax expense (benefit)	**6,043**	13,442	(6,186)	481	4,577
Net earnings (loss)	**3,551**	(26,345)	(4,935)	14,994	20,183
Less: net earnings noncontrolling interests	**1,922**	1,872	1,082	778	713
Net earnings (loss) attributable to Hill International, Inc.	**$ 1,629**	$ (28,217)	$ (6,017)	$ 14,216	$ 19,470
Basic earnings (loss) per common share Hill International, Inc.	**$ 0.04**	$ (0.73)	$ (0.16)	$ 0.36	$ 0.49
Basic weighted average common shares outstanding	**39,098**	38,500	38,414	39,258	39,659
	$ 0.04	$ (0.73)	$ (0.16)	$ 0.36	$ 0.49

Diluted earnings (loss) per common share Hill International, Inc.					
Diluted weighted average common shares outstanding	**39,322**	38,500	38,414	39,824	40,124

	As of December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Selected Balance Sheet Data:					
Cash and cash equivalents	**$ 30,381**	$ 16,716	$ 17,924	$ 39,406	$ 30,923
Accounts receivable, net	**232,011**	211,176	197,906	180,856	130,900
Current assets	**297,893**	257,270	231,833	237,466	183,602
Total assets	**449,102**	421,673	407,512	370,851	291,539
Current liabilities	**151,515**	150,135	108,800	104,465	82,657
Total debt	**133,261**	109,456	94,759	74,959	28,244
Stockholders' equity:					
Hill International, Inc. share of equity	**$ 131,144**	$ 127,546	$ 154,136	$ 161,091	$ 155,635
Noncontrolling interests	**11,887**	13,557	18,258	7,005	4,005
Total equity	**$ 143,031**	$ 141,103	$ 172,394	$ 168,096	$ 159,640

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Our revenue consists of two components: consulting fee revenue ("CFR") and reimbursable expenses. Reimbursable expenses are reflected in equal amounts in both total revenue and total direct expenses. Because these pass-through revenue/costs are subject to significant fluctuation from year to year, we measure the performance of many of our key operating metrics as a percentage of CFR, as we believe that this is a better and more consistent measure of operating performance than total revenue.

CFR increased $94,487,000, or 22.6%, to $512,085,000 in 2013. CFR for the Project Management segment increased $80,370,000 principally due to increased work in the Middle East, primarily Oman, Qatar and Saudi Arabia. CFR for the Construction Claims segment increased by $14,117,000 due primarily to increased work in the Middle East and Asia/Pacific.

Cost of services increased $56,483,000, or 23.6%, to $296,055,000 in 2013 as a result of an increase in employees and other direct expenses related to the additional work in the Middle East.

Gross profit increased $38,004,000, or 21.3%, to $216,030,000 in 2013 due to the increases in CFR. Gross profit as a percent of CFR remained relatively constant at 42.2% in 2013.

Selling, general and administrative expenses increased $10,793,000, or 6.2%, principally due to the unapplied portion of new staff required for the increase in CFR. As a percentage of CFR, selling, general and administrative expenses decreased to 35.8% in 2013 compared to 41.4% in 2012.

Operating profit was $32,458,000 in 2013 compared to $5,247,000 in 2012. The increase in operating profit was primarily due to a combination of increased CFR, lower selling, general and administrative expenses as a percentage of CFR resulting from ongoing cost-cutting initiatives and higher utilization rates for professional staff.

Income tax expense was $6,043,000 for 2013 compared to $13,442,000 for 2012. The change is primarily the result of an increase of $17,707,000 in the valuation allowance against the Company's U.S. deferred tax asset in 2012.

Net income attributable to Hill was $1,629,000 in 2013 compared to a net loss of ($28,217,000) in 2012. Diluted income per common share was $0.04 in 2013 based upon 39,322,000 diluted common shares outstanding compared to a net loss per diluted common share of ($0.73) in 2012 based upon 38,500,000 diluted common shares outstanding.

We have open but inactive contracts in Libya. During 2013 and early 2014, we received payments of approximately $9,200,000 from our client, the Libyan Organization for the Development of Administrative Centres ("ODAC"), for work performed prior to March 2011. The remaining accounts receivable balance with ODAC is now $50,800,000. Since the end of the Libyan civil unrest in October 2011, the Company has sought to recover its receivable from ODAC through ongoing negotiations rather than pursue its legal rights for payment under the contracts. The Company believes that this course of action provides the best likelihood for recovery as it could result in completion of and payment on the existing contracts as well as the potential for the award of new contracts. There is at present no agreement, understanding or timetable for further payments of Hill's accounts receivable from ODAC or a return to work on Hill's existing contracts. However, management believes that these payments, along with letters of credit of approximately $14,000,000 posted in our favor by ODAC, were made in good faith and are a positive indication that ODAC intends to satisfy its obligations to Hill. However, the Company cannot predict with certainty when, or if, the remaining accounts receivable will be paid by the Libyan authorities or when work will resume there.

Despite continuing global economic uncertainty and current limits to financial credit, we remain optimistic about maintaining our current growth strategy to pursue new business development opportunities, continue to take advantage of organic growth opportunities, continue to pursue acquisitions and strengthen our professional resources. Among other things, our optimism stems from the growth of our backlog at December 31, 2013. Our total backlog is a record $1,027,000,000, an increase of $76,000,000 from September 30, 2013 and $104,000,000 from December 31, 2012. Our 12-month backlog is also a record $394,000,000, an increase of $12,000,000 from September 30, 2013 and $12,000,000 from December 31, 2012. These increases are primarily related to significant new work in Iraq and Saudi Arabia.

Non-GAAP Financial Measures

Regulation G, conditions for use of Non-Generally Accepted Accounting Principles ("Non-GAAP") financial measures, and other SEC regulations define and prescribe the conditions for use of certain Non-GAAP financial information. Generally, a Non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. We believe earnings before interest, taxes, depreciation and amortization ("EBITDA"), in addition to operating profit, net earnings and other GAAP measures, is a useful indicator of our financial and operating performance and our ability to generate cash flows from operations that are available for taxes and capital expenditures. This measure, however, should be considered in addition to, and not as a substitute or superior to, operating profit, cash flows, or other measures of financial performance prepared in accordance with GAAP. The following table is a reconciliation of EBITDA to the most directly comparable GAAP measure in accordance with SEC Regulation S-K for the years ended December 31, 2013, 2012 and 2011 (in thousands):

	Years Ended December 31,		
	2013	**2012**	**2011**
Net earnings (loss) attributable to Hill	**$ 1,629**	$ (28,217)	$ (6,017)
Interest	**22,864**	18,150	7,262
Income taxes	**6,043**	13,442	(6,186)
Depreciation and amortization	**10,756**	12,430	15,640
EBITDA	**$ 41,292**	$ 15,805	$ 10,699

Critical Accounting Policies and Estimates

Our consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles, which require us to make subjective decisions, assessments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the judgment increases, such judgments become even more subjective. While we believe our assumptions are reasonable and appropriate, actual results may be materially different than estimated.

Revenue Recognition

We generate revenue primarily from providing professional services to our clients. Revenue is generally recognized upon the performance of services. In providing these services, we may incur reimbursable expenses, which consist of amounts paid to subcontractors and other third parties as well as travel and other job related expenses that are contractually reimbursable from clients. We will include reimbursable expenses in computing and reporting our total contract revenue as long as we remain responsible to the client for the fulfillment of the contract and for the overall acceptability of all services provided.

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We earn our revenue from cost-plus, fixed-price and time-and-materials contracts. If estimated total costs on any contract indicate a loss, we charge the entire estimated loss to operations in the period the loss becomes known. The cumulative effect of revisions to revenue, estimated costs to complete contracts, including penalties, incentive awards, change orders, claims, anticipated losses, and other effects are recorded in the accounting period in which the events indicating a loss are known and the loss can be reasonably estimated. Such revisions could occur at any time and the effects may be material. The majority of our contracts are for work where we bill the client monthly at hourly billing rates. The hourly billing rates are determined by contract terms. For governmental clients, the hourly rates are generally calculated as either (i) a negotiated multiplier of our direct labor costs or (ii) as direct labor costs plus overhead costs plus a negotiated profit percentage. For commercial clients, the hourly rates are generally taken from a standard fee schedule by staff classification or they can be at a negotiated discount from this schedule. In some cases, primarily for foreign work, a fixed monthly staff rate is negotiated rather than an hourly rate. This monthly rate is determined based upon a buildup of direct labor costs plus overhead and profit. We account for these contracts on a time-and-expenses method, recognizing revenue as costs are incurred.

We account for fixed-price contracts on the "percentage-of-completion" method, wherein revenue is recognized as costs are incurred. Under the percentage-of-completion method for revenue recognition, we estimate the progress towards completion to determine the amount of revenue and profit to be recognized. We generally utilize a cost-to-cost approach in applying the percentage-of-completion method, where revenue is earned in proportion to total costs incurred divided by total costs expected to be incurred.

Under the percentage-of-completion method, recognition of profit is dependent upon the accuracy of estimates. We have a history of making reasonably dependable estimates of contract revenue, the extent of progress towards completion and contract completion costs on our long-term construction management contracts. However, due to uncertainties inherent in the estimation process, it is possible that actual completion costs may vary from estimates.

Allowance for Doubtful Accounts

We make ongoing estimates relating to the collectibility of our accounts receivable and maintain an allowance for estimated losses resulting from the inability of our clients to make required payments. Estimates used in determining accounts receivable allowances are based on specific client account reviews and historical experience of credit losses. We also apply judgment including assessments about changes in economic conditions, concentration of receivables among clients and industries, recent write-off trends, rates of bankruptcy, and credit quality of specific clients. Unanticipated changes in the financial condition of clients, the resolution of various disputes, or significant changes in the economy could impact the reserves required. At December 31, 2013 and 2012, the allowance for doubtful accounts was $9,530,000 and $10,268,000, respectively.

Goodwill and Other Intangible Assets

Goodwill is tested annually for impairment in our third fiscal quarter or more frequently if events or circumstances indicate that there may be an impairment. We have determined that we have two reporting units, the Project Management unit and the Construction Claims unit. We made that determination based on the similarity of the services provided, the methodologies in delivering our services and the similarity of the client base in each of these units. To determine the fair value of our reporting units, we use the market approach and the income approach, weighting the results of each approach.

Under the market approach, we determine fair value using the public company method and the quoted price method. We utilized a control premium of 30% to arrive at the preliminary fair value for

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each reporting unit, and we applied a weighting of 20% to the preliminary fair value determined by using the public company method. The quoted price method is based upon the market value of the transactions of minority interests in the publicly-traded shares of the Company. We utilized a control premium of 30% to arrive at the preliminary fair value for each reporting unit, and we applied a weighting of 50% to the preliminary fair value determined using the quoted price method.

Our calculation under the income approach utilizes our internal forecasts. In the income approach (that is, the discounted cash flow method), the projected cash flows reflect the cash flows subsequent to the sale of the reporting unit pursuant to the guidance in ASC 350 and ASC 820. Consistent with applicable literature, we include in projected cash flows any expected improvements in cash flows or other changes that, in our view, a market participant would consider and be willing to pay for (but we exclude any buyer- or entity-specific synergies). The projections are developed by us and are based upon cash flows that maximize reporting unit value by taking into account improvements that controlling-interest holders can make, but minority interest holders cannot make. These improvements include: increasing revenues, reducing operating costs, or reducing non-operating costs such as taxes. The owners of the enterprise may also increase enterprise value by reducing risk; for example, by diversifying the business, improving access to capital, increasing the certainty of cash flows, or optimizing the capital structure.

We considered the factors listed above when developing the cash flows to support the income approach. Recognizing that due to elements of control incorporated into our reporting units' forecasts, we applied no control premium to our conclusion of value indicated by the discounted cash flows. In determining fair value, we applied a weighting of 30% to the preliminary fair value determined using the income approach.

With regard to weighting the conclusions rendered by the approaches utilized, we believe that the quoted price method provides the most reliable indication of value (that is, a Level 1 input); therefore, we placed the greatest emphasis upon this method assigning a 50% weighting. We also determined that the value using the discounted cash flow method (to which we assigned a 30% weighting) provided a more reliable indication of value than the public company method (to which we assigned a 20% weighting) with the relative levels of reliability contributing to the weighting accorded to each approach.

Application of the goodwill impairment test requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for each reporting unit, the period over which cash flows will occur, and determination of the weighted average cost of capital, among other things. Based on the valuation as of July 1, 2013, the fair values of the Project Management unit and the Construction Claims unit substantially exceeded their carrying values. Changes in these estimates and assumptions could materially affect our determination of fair value and/or goodwill impairment for each reporting unit. Changes in future market conditions, our business strategy, or other factors could impact upon the future values of Hill's reporting units, which could result in future impairment charges.

We amortize other intangible assets over their estimated useful lives and review the long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We use internal discounted cash flow estimates, quoted market prices when available and independent appraisals, as appropriate, to determine fair value. We derive the required cash flow estimates from our historical experience and our internal business plans and apply an appropriate discount rate.

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Income Taxes

We make judgments and interpretations based on enacted tax laws, published tax guidance, as well as estimates of future earnings. These judgments and interpretations affect the provision for income taxes, deferred tax assets and liabilities and the valuation allowance. We evaluate the deferred tax assets to determine on the basis of objective factors whether the net assets will be realized through future years' taxable income. In the event that actual results differ from these estimates and assessments, additional valuation allowances may be required.

We will recognize a tax benefit in the financial statements for an uncertain tax position only if management's assessment is that the position is "more likely than not" (i.e., a likelihood greater than 50 percent) to be allowed by the tax jurisdiction based solely on the technical merits of the position. The term "tax position" refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods.

Stock Options

We recognize compensation expense for all stock-based awards. These awards have included stock options and restricted stock grants. While fair value may be readily determinable for awards of stock, market quotes are not available for long-term, nontransferable stock options because these instruments are not traded. We currently use the Black-Scholes option pricing model to estimate the fair value of options. Option valuation models require the input of highly subjective assumptions, including but not limited to stock price volatility, expected life and stock option exercise behavior.

Contingencies

Estimates are inherent in the assessment of our exposure to insurance claims that fall below policy deductibles and to litigation and other legal claims and contingencies, as well as in determining our liabilities for incurred but not reported insurance claims. Significant judgments by us and reliance on third-party experts are utilized in determining probable and/or reasonably estimable amounts to be recorded or disclosed in our financial statements. The results of any changes in accounting estimates are reflected in the financial statements of the period in which the changes are determined. We do not believe that material changes to these estimates are reasonably likely to occur.

Results of Operations

Year Ended December 31, 2013 Compared to
Year Ended December 31, 2012

Consulting Fee Revenue ("CFR")

	2013		2012		Change	
			(dollars in thousands)			
Project Management	**$ 392,602**	**76.7%**	$ 312,232	74.8%	$ 80,370	25.7%
Construction Claims	**119,483**	**23.3**	105,366	25.2	14,117	13.4
Total	**$ 512,085**	**100.0%**	$ 417,598	100.0%	$ 94,487	22.6%

The increase in CFR for 2013 over 2012 was substantially all organic and was primarily due to increased work in the Middle East.

During 2013, Project Management CFR consisted of a $76,032,000 increase in foreign projects and an increase of $4,338,000 in domestic projects. The increase in foreign Project Management CFR included an increase of $47,826,000 in Oman, $12,321,000 in Qatar, $7,634,000 in Saudi Arabia, $5,478,000 in Iraq and $5,194,000 in Afghanistan. These increases were partially offset by a decrease of $8,930,000 in Spain. The increase in domestic Project Management CFR was due primarily to increases in our Northeast and Mid-Atlantic regions.

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The increase in Construction Claims CFR was comprised of an organic increase of 11.0% and a 2.4% increase from the acquisition of Binnington Copeland & Associates ("BCA") in May 2013. The organic increase was primarily due to increases in Middle East and Asia/Pacific, partially offset by a decrease in the United Kingdom.

Reimbursable Expenses

	2013		2012		Change	
			(dollars in thousands)			
Project Management	**$ 59,915**	**92.8%**	$ 60,049	95.0%	$ (134)	(0.2)%
Construction Claims	**4,681**	**7.2**	3,134	5.0	1,547	49.4
Total	**$ 64,596**	**100.0%**	$ 63,183	100.0%	$ 1,413	2.2%

Reimbursable expenses consist of amounts paid to subcontractors and other third parties, and travel and other job-related expenses that are contractually reimbursable from clients. These items are reflected as separate line items in both our revenue and cost of services captions in our consolidated statements of operations. The increase in Construction Claims reimbursable expenses was due primarily to increases in the Middle East and Asia/Pacific due to subcontractors and other reimbursable expenses associated with the increased work volume.

Cost of Services

	2013			2012			Change	
				(dollars in thousands)				
			% of CFR			% of CFR		
Project Management	**$ 244,003**	**82.4%**	**62.2%**	$ 192,592	80.4%	61.7%	$ 51,411	26.7%
Construction Claims	**52,052**	**17.6**	**43.6**	46,980	19.6	44.6	5,072	10.8
Total	**$ 296,055**	**100.0%**	**57.8%**	$ 239,572	100.0%	57.4%	$ 56,483	23.6%

Cost of services consists of labor expenses for time charged directly to contracts and non-reimbursable job-related travel and out-of-pocket expenses.

The increase in Project Management cost of services is primarily due to increases in the Middle East in support of increased work.

The increase in the cost of services for Construction Claims was due primarily to increases in direct cost in the Middle East, Asia/Pacific and South Africa (due to the BCA acquisition), partially offset by decreases in the United Kingdom.

Gross Profit

	2013	2012	Change
		(dollars in thousands)	

			% of CFR			% of CFR		
Project Management	**$ 148,599**	**68.8%**	**37.8%**	$ 119,640	67.2%	38.3%	$ 28,959	24.2%
Construction Claims	**67,431**	**31.2**	**56.4**	58,386	32.8	55.4	9,045	15.5
Total	**$ 216,030**	**100.0%**	**42.2%**	$ 178,026	100.0%	42.6%	$ 38,004	21.3%

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The increase in Project Management gross profit included an increase of $26,421,000 from international operations, primarily due to increases from the Middle East, principally Oman, Qatar, Saudi Arabia, Iraq and Afghanistan.

The increase in Construction Claims gross profit was driven by an increase of $4,245,000 in the Middle East, $3,430,000 in Asia/Pacific and $1,571,000 in South Africa, partially offset by a decrease of $1,357,000 in the United Kingdom.

The overall gross profit percentage declined slightly due to an increase in the mix of work towards the Project Management group which generally has lower gross margin percentages than the Construction Claims group.

Selling, General and Administrative ("SG&A") Expenses

	2013		2012		Change	
	(dollars in thousands)					
		% of CFR		% of CFR		
SG&A Expenses	**$ 183,572**	**35.8%**	$ 172,779	41.4%	$ 10,793	6.2%

As a percentage of CFR, SG&A expense decreased to 35.8% in 2013 compared to 41.4% in 2012.

The significant components of the change in SG&A are as follows:

An increase of $8,279,000 in unapplied labor primarily in the Middle East due to an increase in staff required for the new work. Unapplied labor, which increased 16.4% over the prior year compared to a 22.6% increase in CFR, represents the labor cost of operating staff for non-billable tasks. This represents improved utilization of billable staff over the prior year;

An increase of $5,668,000 in indirect labor including $2,500,000 in staff termination costs primarily in Spain and Brazil where staff was reduced as several projects ended;

An increase in administrative travel of $1,391,000 in support of expanded international operations;

An increase of $1,163,000 in professional fees due to statutory, audit and tax filings due to increased international operations;

An increase of $1,000,000 due to a 2012 credit to indirect expenses for the reversal of an unachieved earn-out liability which was recorded as part of the acquisition of TRS Consultants in December 2009;

An increase of $792,000 in information technology related costs in support of increased staff and expanded global operations;

An increase of $719,000 in bad debt expense for reserves placed primarily in the domestic Project Management Group;

A decrease of $7,693,000 consisting of a $3,693,000 reversal in 2013 of a reserve for potential employment tax liabilities that was originally established in 2012 in the amount of $4,000,000; and

A decrease of $1,446,000 in amortization expense due to the full amortization of the shorter-lived intangible assets of companies we acquired over the last several years.

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Operating Profit:

		2013			2012			Change	
		(dollars in thousands)							
			% of CFR			% of CFR			
Project Management	$	**48,682**	**12.4%**	$	23,273	7.5%	$	25,409	109.2%
Construction Claims		**12,171**	**10.2**		8,071	7.7		4,100	50.8
Corporate		**(28,395)**			(26,097)			(2,298)	8.8
Total	$	**32,458**	**6.3%**	$	5,247	1.3%	$	27,211	518.6%

The increase in Project Management operating profit included an increase of $24,094,000 in the Middle East, primarily Oman, Qatar, Saudi Arabia, Iraq and Afghanistan.

The increase in Construction Claims operating profit was primarily due to increases of $2,023,000 in the Middle East and $3,304,000 in Asia/Pacific, partially offset by a decrease of $1,020,000 in the United Kingdom.

Corporate expenses increased $2,298,000 primarily due to increases in indirect labor, stock compensation, travel cost, information technology and depreciation in support of expanded operations overseas.

Interest and related financing fees, net

Interest and related financing fees increased $4,714,000 to $22,864,000 in 2013 as compared with $18,150,000 in 2012, primarily due to higher levels of debt outstanding and higher interest rates. Included in interest expense in 2013 is a non-cash charge of $7,954,000 compared to $1,520,000 in 2012 attributable to the accretion of the Term Loan.

Income Taxes

In 2013, the income tax expense was $6,043,000 compared to an income tax expense of $13,442,000 in 2012. The effective income tax expense rates for 2013 and 2012 were 63.0% and (104.2%), respectively. The increase in the Company's effective tax rate during the year was primarily a result of recording a valuation allowance on the net U.S. deferred tax asset of $17,700,000 in 2012 with a consolidated pre-tax loss. In 2013, the Company required an increase in the valuation allowance related to the increase in the net U.S. deferred tax asset while generating consolidated pre-tax income.

The valuation allowance primarily relates to the U.S. federal and state net operating losses of $63,365,000 and $66,472,000, respectively. The losses were generated in fiscal years 2010 through 2013. The primary reason for recording the valuation allowance was due to management's belief that it is more likely than not that the Company will not be able to utilize its U.S. deferred tax assets in the foreseeable future.

In 2013, several items materially affected the Company's effective tax rate. The Company realized a net benefit of $2,314,000 primarily from the reversal of prior year's uncertain tax positions based on management's assessment that these items were effectively settled with the appropriate foreign tax authorities. An income tax expense of $386,000 resulted from adjustments to agree the 2012 book amount to the actual amounts reported on the tax returns in foreign jurisdictions. In addition, the Company recognized higher foreign withholding taxes in 2013 which were partially offset by the true up of income tax accounts in foreign jurisdictions.

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Several items materially affected the Company's effective tax rate during 2012. The Company realized a benefit from the reversal of prior year's uncertain tax position amounting to $350,000 due to the expiration of the statute of limitations upon filing of certain income tax returns in a foreign jurisdiction. An income tax benefit of $666,000 resulted from adjustments to agree the 2011 book amount to the actual amounts reported on the tax returns, primarily in foreign jurisdictions. In addition, the Company recognized an income tax expense related to withholding tax in the amount of $573,000 primarily related to foreign operations and an income tax expense of $804,000 related to potential prior year tax assessments of certain foreign subsidiaries.

Net Earnings Attributable to Hill

The net earnings attributable to Hill International, Inc. for 2013 was $1,629,000, or $0.04 per diluted common share, based on 39,322,000 diluted common shares outstanding, as compared to a net loss for 2012 of ($28,217,000), or ($0.73) per diluted common share based upon 38,500,000 diluted common shares outstanding.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Consulting Fee Revenue ("CFR")

	2012		2011		Change	
			(dollars in thousands)			
Project Management	$ 312,232	74.8%	$ 290,787	72.8%	$ 21,445	7.4%
Construction Claims	105,366	25.2	108,467	27.2	(3,101)	(2.9)
Total	$ 417,598	100.0%	$ 399,254	100.0%	$ 18,344	4.6%

The increase in CFR for 2012 over 2011 was comprised of an organic increase of 2.7% primarily due to increased work in the Middle East and an increase of 1.9% from the acquisition of Engineering S.A. in Brazil.

During 2012, Project Management CFR included an organic increase of 4.7% primarily from the Middle East plus an increase of 2.7% due to the acquisition of Engineering S.A. The increase in Project Management CFR consisted of a $19,677,000 increase in foreign projects and an increase of $1,768,000 in domestic projects. The increase in foreign Project Management CFR included an increase of $16,815,000 in Saudi Arabia, $4,638,000 in Egypt and $4,339,000 in Afghanistan. These increases were partially offset by decreases of $8,208,000 in Libya where work was suspended in February 2011 due to political unrest and $4,327,000 in Spain. The increase in domestic Project Management CFR was due primarily to increases in our Mid-Atlantic and Western regions.

The decrease in Construction Claims CFR was all organic and primarily resulted from decreases in Australia, Europe and the Middle East where several large assignments were completed, partially offset by increases in the United Kingdom and the United States.

Reimbursable Expenses

	2012		2011		Change	
			(dollars in thousands)			
Project Management	$ 60,049	95.0%	$ 98,928	96.8%	$ (38,879)	(39.3)%
Construction Claims	3,134	5.0	3,274	3.2	(140)	(4.3)
Total	$ 63,183	100.0%	$ 102,202	100.0%	$ (39,019)	(38.2)%

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Reimbursable expenses consist of amounts paid to subcontractors and other third parties, and travel and other job-related expenses that are contractually reimbursable from clients. These items are reflected as separate line items in both our revenue and cost of services captions in our consolidated statements of operations. The decrease in Project Management reimbursable expenses was due primarily to decreased use of subcontractors of $41,260,000 primarily in our Northeast region.

Cost of Services

	2012			2011			Change	
	(dollars in thousands)							
			% of CFR			% of CFR		
Project Management	$ 192,592	80.4%	61.7%	$ 178,336	78.2%	61.3%	$ 14,256	8.0%
Construction Claims	46,980	19.6	44.6	49,655	21.8	45.8	(2,675)	(5.4)
Total	$ 239,572	100.0%	57.4%	$ 227,991	100.0%	57.1%	$ 11,581	5.1%

Cost of services consists of labor expenses for time charged directly to contracts and non-reimbursable job-related travel and out-of-pocket expenses. The increase in Project Management cost of services is primarily due to increases in Saudi Arabia, Afghanistan, Egypt and our U.S. Mid-Atlantic and Western regions in support of the increased revenue in those areas and due to the acquisition of Engineering S.A., partially offset by decreases in Libya and Spain.

The decrease in the cost of services for Construction Claims was due primarily to decreases in direct cost in Australia, the Middle East and Europe, partially offset by increases in the United Kingdom and the United States.

Gross Profit

	2012			2011			Change	
	(dollars in thousands)							
			% of CFR			% of CFR		
Project Management	$ 119,640	67.2%	38.3%	$ 112,451	65.7%	38.7%	$ 7,189	6.4%
Construction Claims	58,386	32.8	55.4	58,812	34.3	54.2	(426)	(0.7)
Total	$ 178,026	100.0%	42.6%	$ 171,263	100.0%	42.9%	$ 6,763	3.9%

The increase in Project Management gross profit included an increase of $5,971,000 from international operations including increases of $8,885,000 from the Middle East, primarily Saudi Arabia and Afghanistan, $3,197,000 from Brazil and $2,926,000 from Egypt, partially offset by decreases of $4,636,000 from Libya and $3,061,000 from Spain.

The decrease in Construction Claims gross profit was driven by a decrease of $2,412,000 from Australia where some large assignments were completed, partially offset by an increase in $1,801,000 from the United Kingdom.

Selling, General and Administrative ("SG&A") Expenses

	2012		2011		Change	
	(dollars in thousands)					
		% of CFR		% of CFR		
SG&A Expenses	$ 172,779	41.4%	$ 175,312	43.9%	$ (2,533)	(1.4)%

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The decrease in SG&A included decreases of $7,523,000, partially offset by an increase of $4,990,000 from Engineering S.A. which was acquired in February 2011.

The significant components of the change in SG&A are as follows:

An increase of $4,000,000 for a reserve for potential employment tax liabilities for certain foreign subsidiaries;

A decrease in unapplied and indirect labor expense of $140,000 including a decrease of $1,275,000 due to cost-cutting initiatives, partially offset by an increase of $1,135,000 at Engineering S.A.;

A decrease of $2,556,000 in amortization expense due to the full amortization of the shorter-lived intangible assets of companies we acquired over the last several years;

A decrease of $1,384,000 in administrative travel due to cost-cutting initiatives, $454,000 of which was attributable to Engineering S.A.;

A credit of $1,000,000 to indirect expenses for the reversal of an unachieved earn-out liability which was recorded as part of the acquisition of TRS Consultants in December 2009;

A decrease of $792,000 in rent expense due to the early termination of a northern New Jersey office lease in early 2011, a temporary overlapping of rental cost in the United Kingdom during an office relocation during the first quarter of 2011 and to lower office space expenses in 2012 due to renegotiation of various leases during 2012; and

A decrease in legal fees of $767,000.

Operating Profit (Loss):

	2012		2011		Change	
			(dollars in thousands)			
		% of CFR		% of CFR		
Project Management before equity in earnings of affiliates	$ 23,273	7.5%	$ 17,673	6.0%	$ 5,600	31.7%
Equity in earnings of affiliates			190	0.1	(190)	(100.0)
Total Project Management	23,273	7.5	17,863	6.1	5,410	30.3
Construction Claims	8,071	7.7	9,488	8.7	(1,417)	(14.9)
Corporate	(26,097)		(31,210)		5,113	(16.4)
Total	$ 5,247	1.3%	$ (3,859)	(1.0)%	$ 9,106	N.M.%