UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2001

OR

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

For the transition period from__________________ to __________________

Commission file No. 1-4422

ROLLINS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**51-0068479** (I.R.S. Employer Identification No.)
2170 Piedmont Road, N.E., Atlanta, Georgia (Address of principal executive offices)	**30324** (Zip Code)

Registrant's telephone number, including area code: (404) 888-2000

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

Title of each class	Name of each Exchange on which registered
Common Stock, $1 Par Value	The New York Stock Exchange The Pacific Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None.

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

Indicate by check mark 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. ☒

The aggregate market value of Rollins, Inc. Common Stock held by non-affiliates on February 26, 2002, was $282,498,380 based on the closing price on the New York Stock Exchange on such date of $20.00 per share.

Rollins, Inc. had 30,160,062 shares of Common Stock outstanding as of February 26, 2002.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Rollins, Inc.'s Annual Report to Stockholders for the calendar year ended December 31, 2001 are incorporated by reference into Part II, Item 6.

Portions of the Proxy Statement for the 2002 Annual Meeting of Stockholders of Rollins, Inc. are incorporated by reference into Part III, Items 10-13.

PART I

Item 1. Business.

General

Rollins, Inc. (the Company) is a national service company with headquarters located in Atlanta, Georgia, providing pest and termite control services to both residential and commercial customers. Services are performed through a contract that specifies the pricing arrangement with the customer.

Orkin Exterminating Company, Inc. (Orkin), a wholly-owned subsidiary founded in 1901, is one of the world's largest pest and termite control companies. It provides customized services from over 400 locations to approximately 1.6 million customers. Orkin serves customers in the United States, Canada, and Mexico, providing essential pest control services and protection against termite damage, rodents and insects to homes and businesses, including hotels, food service establishments, dairy farms and transportation companies. Orkin operates under the Orkin® and PCO Services, Inc.® trademarks and the Acurid℠ service mark. The Orkin® brand name makes Orkin one of the most recognized pest and termite companies in the country. The PCO Services brand name provides similar brand recognition in Canada. The Company is the largest pest control provider in Canada.

The Company has only one reportable segment, its pest and termite control business. Revenue, operating profit and identifiable assets for this segment, which includes the United States, Canada, and Mexico, are included in Item 8 of this document under financial statements and supplementary data on pages 15 and 16. The Company's results of operations and its financial condition are not reliant upon any single customer or a few customers or the Company's foreign operations.

A bimonthly pest control service initiative has been recently implemented to better service our residential customers. Through this program, the Company can better conform to our customers' busy lifestyles. In addition, Acurid℠ commercial pest elimination service was introduced company-wide in 2001. This premium service includes insect control, fly control, rodent control, and odor control for commercial customers and is now available through any Orkin branch.

The dollar amount of service contracts and backlog orders as of the end of the Company's 2001 and 2000 calendar years was approximately $16.2 million and $18.2 million, respectively. Backlog services and orders are usually provided within the month following the month of receipt, except in the area of prepaid pest control where services are usually provided within twelve months of receipt. The Company does not have a material portion of its business that may be subject to renegotiation of profits or termination of contracts at the election of a governmental entity.

The Rollins Customer Care Center achieved its ISO 9002 quality certification in 2001. It is joined by seventeen dedicated commercial branches that have also completed the ISO 9002 quality certification process.

The Company continues to expand its growth through the Orkin franchise program. This program is primarily used in secondary markets where it is not currently feasible to locate a conventional Orkin branch. There is a built-in exit strategy at the end of the franchise term that motivates the franchisee to sell their business to Orkin. There were 30 franchisees in the Company at the end of 2001.

Another area of development for the Company was the company-wide introduction of a new proprietary branch computer system named FOCUS. This technology should enable us to better serve our customers by developing a more comprehensive customer database and better identify performance trends.

Seasonality

The business of the Company is affected by the seasonal nature of the Company's pest and termite control services. The metamorphosis of termites in the spring and summer (the occurrence of which is

determined by the timing of the change in seasons) has historically resulted in an increase in the revenue and income of the Company's pest and termite control operations during such periods.

Inventories

The Company maintains a sufficient level of chemicals, materials and other supplies to fulfill its servicing needs and to alleviate any potential short-term shortage in availability from its national network of suppliers.

Competition

The Company believes that Orkin competes favorably with competitors as one of the world's largest pest and termite control companies.

The principal methods of competition in the Company's pest and termite control business are quality of service and guarantees, including the money-back guarantee on pest and termite control, and the termite retreatment and damage repair guarantee to qualified homeowners.

Research and Development

Expenditures by the Company on research activities relating to the development of new products or services are not significant. Some of the new and improved service methods and products are researched, developed and produced by unaffiliated universities and companies. Also, a portion of these methods and products are produced to the specifications provided by the Company. Some of the more recent studies that have been conducted on behalf of the Company include one on fly pathogens by the University of Florida. There is also an integrated pest management study currently being performed by the Virginia Polytechnic Institute.

Governmental Regulation

Local governmental licenses and permits are required in order for the Company to conduct its pest and termite control services in certain localities. In view of the widespread operations of the Company's service operations, the failure of any local governments to license a facility would not have a material adverse effect on the results of operations of the Company.

Other than the impact on the Company of governmental regulation of the use of pesticides, the Company is not materially affected by compliance with federal, state and local provisions, which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment.

Employees

The number of persons employed by the Company as of February 26, 2002 was approximately 8,000.

Item 2. Properties.

The Company's administrative headquarters and central warehouse, both of which are owned by the Company, are located at 2170 Piedmont Road, N.E., Atlanta, Georgia 30324. The Company owns or leases several hundred branch offices and operating facilities used in its business. None of the branch offices, individually considered, represents a materially important physical property of the Company. The facilities are suitable and adequate to meet the current and reasonably anticipated future needs of the Company.

Item 3. Legal Proceedings.

Orkin, one of the Company's subsidiaries, is a named defendant in Helen Cutler and Mary Lewin v. Orkin Exterminating Company, Inc. et al pending in the District Court of Houston County, Alabama. The plaintiffs in the above mentioned case filed suit in March of 1996 and are seeking monetary damages and injunctive relief for alleged breach of contract arising out of alleged missed or inadequate reinspections. The attorneys for the plaintiffs contend that the case is suitable for a class action and the court has ruled that the plaintiffs would be permitted to pursue a class action lawsuit against Orkin. The Company believes this case to be without merit and intends to defend itself vigorously at trial. At this time, the final outcome of the litigation cannot be determined. However, it is the opinion of Management that the ultimate resolution of this action will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

On November 9, 2001, the Alabama Supreme Court rendered a final judgment of $2.3 million in the matter of The Estate of Artie Mae Jeter v. Orkin Exterminating Company, Inc. and Bill Maxwell. The following two paragraphs describe in detail the proceedings of this lawsuit.

On May 14, 1999, a lawsuit was filed in the Circuit Court of Macon County, Alabama against Orkin alleging breach of contract and fraud. The suit asserted a failure to treat and inspect the residence of the plaintiff and to repair the termite damage and alleged that Orkin concealed alleged misconduct and misled the plaintiff as to the quality of work performed. Orkin defended itself by asserting that the plaintiff had not been misled and was told about the damages. Orkin also presented evidence that there was structural damage not attributable to termites, that there were significant conditions conducive to termites present in and around the structure and that there was no evidence of live termites found in the damaged areas since 1989. On August 18, 2000, the jury in the matter of The Estate of Artie Mae Jeter v. Orkin Exterminating Company, Inc. and Bill Maxwell, returned a verdict of $80.8 million against Orkin. The award consisted of $800,000 in compensatory damages including property damage and mental anguish and $80.0 million in punitive damages. The jury found for the plaintiff on the two counts alleged.

Subsequent to the judgment, Orkin filed post trial motions, including a motion to reduce the judgment. On December 11, 2000, the trial judge issued an order reducing the total amount of the award to $4.4 million against Orkin. This amount consisted of $400,000 in compensatory damages and $4.0 million in punitive damages. It remained Orkin's position that it complied with its obligations and that it did not attempt to conceal any misconduct or suppress any material facts. Orkin appealed this reduced judgment to the Supreme Court of Alabama. On November 9, 2001, the Alabama Supreme Court further reduced the $4.4 million judgment rendered in the trial court to $2.3 million plus post-judgment interest. Of the $2.3 million award, $2 million was for punitive damages and $300,000 was for compensatory damages. As a result of this final judgment, this case has now been terminated and in the opinion of Management, did not have a material impact on the financial condition, results of operations or liquidity of the Company.

Orkin is also a named defendant in Butland et al. v. Orkin Exterminating Company, Inc. et al pending in the Circuit Court of Hillsborough County, Tampa, Florida. The plaintiffs filed suit in March of 1999 and are seeking monetary damages in excess of $15,000 for each named plaintiff and injunctive relief for alleged breach of contract, fraud and various violations of Florida State law. The attorneys for the plaintiffs contend that the case is suitable for a class action. The Court may rule in the first six months of 2002 on whether the class should be certified and their case should proceed as a class action. The Company believes this case to be without merit and intends to defend itself aggressively through trial, if necessary. At this time, the final outcome of the litigation cannot be determined. However, it is the opinion of Management that the ultimate resolution of this action will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

Additionally, in the normal course of business, the Company is a defendant in a number of lawsuits, which allege that plaintiffs have been damaged as a result of the rendering of services by Company

personnel and equipment. The Company is actively contesting these actions. It is the opinion of Management, however, that the outcome of these actions will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

Item 4. Submission of Matters to a Vote of Security Holders.

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of 2001.

Item 4.A. Executive Officers of the Registrant.

Each of the executive officers of the Company was elected by the Board of Directors to serve until the Board of Directors' meeting immediately following the next annual meeting of stockholders or until his earlier removal by the Board of Directors or his resignation. The following table lists the executive officers of the Company and their ages, offices with the Company, and the dates from which they have continually served in their present offices with the Company.

Name	Age	Office with Registrant	Date First Elected to Present Office
R. Randall Rollins (1)	70	Chairman of the Board	10/22/91
Gary W. Rollins (2)	57	Chief Executive Officer, President and Chief Operating Officer	7/24/01
Harry J. Cynkus (3)	52	Chief Financial Officer and Treasurer	5/28/98
Michael W. Knottek (4)	57	Vice President and Secretary	5/28/98
Glen W. Rollins (5)	35	Executive Vice President	6/01/01

(1) R. Randall Rollins and Gary W. Rollins are brothers.

(2) Gary W. Rollins was elected to the office of President and Chief Operating Officer in January 1984. He was elected to the additional office of Chief Executive Officer in July 2001.

(3) Harry J. Cynkus joined the Company in April 1998 and, in May 1998, was elected Chief Financial Officer and Treasurer. From 1996 to 1998, Mr. Cynkus served as Chief Financial Officer of Mayer Electric Company, a $300 million wholesaler of electrical supplies. From 1994 to 1996, he served as Vice President—Information Systems for Brach & Brock Confections, the acquirer of Brock Candy Company, where Mr. Cynkus served as Vice President—Finance and Chief Financial Officer from 1992 to 1994. From 1989 to 1992, he served as Vice President—Finance of Initial USA, a division of an international support services company. Mr. Cynkus is a

Certified Public Accountant.

(4) Michael W. Knottek joined the Company in June 1997 as Vice President and, in addition, was elected Secretary in May 1998. From 1992 to 1997, Mr. Knottek held a variety of executive management positions with National Linen Service, including Senior Vice President of Finance and Administration and Chief Financial Officer. Prior to 1992, he held a variety of senior positions with Initial USA, finally serving as President from 1991 to 1992.

(5) Glen W. Rollins is the son of Gary W. Rollins. He joined the Company in 1989 and has held a variety of positions within the organization. As Executive Vice President, he was assigned responsibility for Orkin operations in June 2001.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The Common Stock of the Company is listed on the New York and Pacific Stock Exchanges and is traded on the Philadelphia, Chicago and Boston Exchanges under the symbol ROL. The high and low prices of the Company's common stock and dividends paid for each quarter in the years ended December 31, 2001 and 2000 were as follows:

STOCK PRICES AND DIVIDENDS
Rounded to the nearest $.01

	Stock Price		Dividends Paid		Stock Price		Dividends Paid
2001	**High**	**Low**	**Per Share**	**2000**	**High**	**Low**	**Per Share**
First Quarter	$ 21.30	$ 16.84	$ .05	First Quarter	$ 16.38	$ 12.88	$ .05
Second Quarter	20.68	17.32	.05	Second Quarter	15.06	11.13	.05
Third Quarter	20.98	14.97	.05	Third Quarter	15.50	14.25	.05
Fourth Quarter	21.35	14.99	.05	Fourth Quarter	22.38	14.69	.05

The number of stockholders of record as of February 26, 2002 was 1,785.

Item 6. Selected Financial Data.

The information contained under the heading, "5-Year Financial Summary", on back of the front cover of the 2001 Annual Report to Stockholders is incorporated herein by reference.

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

RESULTS OF OPERATIONS

				% Change From Prior Year Increase	
(In thousands)	**2001**	**2000**	**1999**	**2001**	**2000**
Revenues	**$ 652,286**	$ 649,558	$ 586,639	**0.4%**	10.7%
Net Income	**16,942**	9,550	7,150	**77.4**	33.6

General Operating Comments

The Company's continued emphasis on customer retention along with building recurring revenues with our termite baiting program resulted in a revenue growth of 0.4% in a sluggish economy. The financial results for the fourth quarter 2001 and the year were positively impacted by the continued benefit of our recent service initiatives.

For the fourth quarter of 2001, the Company recognized net income of $1.6 million compared to a loss of $1.7 million in the fourth quarter 2000. For the year ended December 31, 2001, the Company had net income of $16.9 million compared to the prior year amount of $9.5 million, which represents a 77.4% increase. The overall improvement in profitability is largely a result of improved Cost of Services Provided and Sales and General & Administrative expenses as a percentage of revenues, partially offset by lower interest income and higher depreciation and income taxes.

Results of Operations—2001 Versus 2000

The 0.4% increase in revenues for the year ended December 31, 2001 was primarily due to increased recurring revenues in both pest and termite control. Pest control benefited from improvement in customer retention and a solid increase in commercial revenues. The increased recurring revenues from termite control can be mainly attributed to the impact of our termite baiting program.

Orkin's treatment method of directed liquid termite baiting program generates recurring monitoring revenues that are deferred to the balance sheet each month in the form of unearned revenue. This is then being recognized in future periods when the service is rendered.

Over the past couple of years, the Company has successfully integrated several pest control companies acquired in the United States and Canada. The Company currently does not have plans to aggressively seek new acquisitions but will give consideration to any unusually attractive acquisition opportunities presented. Cost of Services Provided decreased $7.3 million compared to last year, and improved to represent 55.9% of revenues compared to 57.2% last year. This improvement as a percentage of revenues was primarily attributable to margin improvement due to increased efficiencies and a reduced workforce in service, personnel related expenses, and fleet that was partially offset by an increase in insurance expense. Depreciation and Amortization increased approximately $1.9 million or 10.2% over the prior year, due primarily to the implementation of our new proprietary branch computer system.

Sales, General and Administrative decreased $4.0 million over last year, and improved to represent 36.9% of revenues compared to 37.6% last year. This improvement as a percentage of revenues resulted primarily from improved efficiencies and a reduced workforce in sales, decreased other personnel related costs, and decreased bad debt expense.

Interest income declined $252,000 or 56.0% during the year primarily due to interest expense for notes payable associated with acquisitions.

The Company's tax provision of $10.4 million as compared to $5.9 million in 2000, reflects increased income in 2001.

The decline in the Accrual for Termite Contracts of $6.8 million or 11.8% reflects improvement in the experience rate, as well as the payment of termite claims and the cost of remediation. Accrued Insurance decreased $6.3 million or 12.9% during the year as a result of improved experience rate, attributable to the Company's proactive management of issues associated with insurance expense.

In 2002 the Company plans to further expand its alternate service program, which is becoming a larger part of the Company's residential pest control business with its improved profit margins. The Company will also continue to emphasize its commercial pest control business featuring Acurid[SM], a new high-end service that offers businesses a customized approach to pest control.

Results of Operations—2000 Versus 1999

The 10.7% increase in revenues for the year ended December 31, 2000 was due to increases in both pest and termite control revenues. The continuing customer acceptance of the Company's alternate service offering in conjunction with acquisitions resulted in higher residential pest control revenues in 2000. The Company's commercial pest control division was its fastest growing division, with a substantial revenue improvement over 1999. The Company's continued emphasis on its commercial pest control operations was evidenced by the growth in customer base and a higher average sales price in 2000. On July 1, 2000, the Company further expanded its commercial operations through the acquisition of the remaining 50% of its joint venture, Acurid Retail Services, L.L.C., created to sell and provide pest elimination services to customers in the retail market.

Termite control sales significantly increased in 2000, due primarily to the success of the Company's directed-liquid termite baiting program, partially offset by a lower customer base. This treatment method

creates monthly recurring monitoring revenues that are deferred to the balance sheet in the form of unearned revenue, which is recognized in future periods when the service is rendered.

Cost of Services Provided increased $30.2 million over 1999, but improved to represent 57.2% of revenues compared to 58.2% in 1999. This improvement as a percentage of revenues was primarily attributable to margin improvement due to efficiencies and associated workforce reductions in service, personnel related expenses, insurance and claims and improved inventory management.

Depreciation and Amortization increased approximately $5.0 million or 37.1% over 1999, due primarily to an increase in amortization of goodwill and other intangibles as a result of the Company's prior year acquisitions.

Sales, General and Administrative increased $21.3 million over 1999, but improved to represent 37.6% of revenues compared to 38.1% in 1999. This improvement as a percentage of revenues resulted primarily from better leveraging of fixed costs due to higher revenues and improved efficiencies in sales salaries and other personnel related costs.

Interest income declined $2.6 million or 85.2% during 2000 primarily due to a decrease in invested funds over the prior year. The decrease in invested funds resulted principally from the conversion of investments to cash to fund acquisitions during the last part of 1999, and to fund the recent upgrades to our management information systems.

The Company's tax provision of $5.9 million as compared to $4.4 million in 1999, reflects increased taxable income in 2000.

The decline in the Accrual for Termite Contracts of $11.7 million or 16.9% reflects improvement in the experience rate, as well as the payment of termite claims and the cost of remediation. Accrued Insurance decreased $5.4 million or 9.8% during the year as a result of improved experience rate, attributable to the Company's proactive management of issues associated with insurance expense.

Impact of Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The adoption of this standard, effective for the Company as of January 1, 2001, did not impact the results of operations or financial condition of the Company as the Company is not a party to any derivative transactions that fall under the provisions of this statement. In June 2001, the FASB approved SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 prospectively prohibits the pooling of interests method of accounting for business combinations initiated after June 30, 2001. The amortization of existing goodwill ceased on January 1, 2002. Any goodwill resulting from acquisitions completed after June 30, 2001 will not be amortized. SFAS No. 142 also establishes a new method of testing goodwill for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. The adoption of SFAS No. 142 will result in the Company's discontinuation of amortization of its goodwill, however, the Company will be required to test its goodwill for impairment under the new standard beginning in 2002. The expected impact from the application is a decrease in amortization expense of approximately $2.3 million. Also, per SFAS No. 142, the expected life of customer contracts was reviewed and they will be amortized over a life between 8 to 12.5 years dependent upon customer type. The expected impact of this review is an increase in amortization expense of $2.1 million. The FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" effective June 15, 2002 that addresses obligations associated with the retirement of tangible long-lived assets and associated retirement costs. The FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" effective for fiscal years beginning after December 15, 2001 while addressing financial accounting and reporting for the impairment or disposal of long-lived assets. The Company does not believe the impact of adopting SFAS No. 143 or SFAS No. 144 will have a material impact on its financial statements.

Liquidity and Capital Resources

The Company believes its current cash balances, future cash flows from operating activities and availability under its credit facility will be sufficient to finance its current operations and obligations, and fund expansion of the business for the foreseeable future. The Company experienced positive cash flow from operating activities during the year in the amount of $29.6 million. This increase in cash flow is an improvement over cash flow provided by operating activities of $11.4 million in 2000 and cash flow provided by operating activities of $8.2 million in 1999. The 2001 increase resulted primarily from higher net income from continuing operations in 2001, adjusted for non-cash items. The Company believes that required contributions to the Pension Plan in 2002 estimated at $12 million, will not materially impact liquidity. Additionally, the Company has adopted amendments to the Pension Plan that will reduce future expense and cash requirements. While Kmart is a customer of the Company, Kmart's recently declared bankruptcy will not have a significant impact on the Company or its liquidity.

During the year, cash used in investing activities was approximately $9.2 million compared with cash used in investing activities of $8.8 million in 2000. The increase in cash used by investing activities is the result of decreased investment in marketable securities partially offset by a decrease in capital expenditures. For the year ended December 31, 2001, the Company invested $8.5 million in capital expenditures primarily for improvement to management information systems. With the completion of FOCUS, our capital expenditures should return to more historical levels. The Company expects to invest between $6 to $8 million in capital expenditures in 2002 consisting primarily of equipment replacements and upgrades and improvements to management information systems.

In 2001, the Company used approximately $12.1 million in cash for financing activities. Of total cash used in financing activities, approximately $6.0 million was used to pay dividends, $1.4 million was used to pay the amount outstanding on the credit facility, and approximately $1.6 million was paid for repurchases of 107,000 shares of the Company's Common Stock as part of treasury stock. Approximately 90,000 of these repurchased shares were used for the 401(k) match in January 2002.

The capital expenditures, cash dividends, and stock repurchases were primarily funded through existing cash balances and operating activities. The full amount of borrowings under the Company's $40.0 million credit facility was available as of February 26, 2002.

Critical Accounting Policies

We view critical accounting policies to be those policies which are very important to the portrayal of our financial condition and results of operations, and require management's most difficult, complex or subjective judgments. The circumstances that make these judgments difficult or complex relate to the need for management to make estimates about the effect of matters that are inherently uncertain. We believe our critical accounting policies to be as follows:

Accrual for Termite Contracts—The Company maintains an accrual for termite contracts representing the estimated costs of reinspections, reapplications, repair claims and associated labor, chemicals, and other costs incurred relative to termite services performed prior to the balance sheet date. The Company contracts an independent third party actuary to provide the Company a range of estimated liability based upon historical claims information. The actuarial study, along with Management's knowledge of changes in business practices, contract changes, ongoing claims and termite remediation is used in the determination of the accrual. Management makes judgments utilizing these factors but recognizes that they are inherently subjective due to the litigious nature of settlements and awards. Other factors that may impact future cost include chemical life expectancy and governmental regulation. It is significant that the actual number of claims has decreased each year due to changes in

the Company's business practices. However, it is not possible to predict future catastrophic claims. These changes to our business practices include revisions made to our contracts, more effective treatment methods that include a directed-liquid baiting program, more effective termiticides, and updated training methods and techniques.

Accrued Insurance—The Company self-insures, up to specified limits, certain risks related to general liability, workers' compensation and vehicle liability. The estimated costs of existing and future claims under the self-insurance program are accrued based upon historical trends as incidents occur, whether reported or unreported (although actual settlement of the claims may not be made until future periods) and may be subsequently revised based on developments relating to such claims. The Company contracts an independent third party actuary to provide the Company a range of estimated liability based upon historical claims information. The actuarial study, along with Management's knowledge of changes in business practice and existing claims is compared to current balances and the reserve is adjusted based upon the judgment of Management. Management's judgment is inherently subjective and a number of factors are outside Management's knowledge and control. Additionally, historical information is not always an accurate indication of future events. It should be noted that the number of claims has been decreasing due to the Company's proactive risk management to develop and maintain ongoing programs. However, it is not possible to predict future catastrophic claims. Initiatives which have been implemented include a driver certification program, utilization of a Global Positioning System in a large number of our company vehicles, post-offer physicals for new employees, and post-accident drug testing. The Company has improved the time required to report a claim by utilizing a "Red Alert" program that provides for 24/7 serious accident assessment and has instituted a modified duty program that enables employees to go back to work on a limited-duty basis.

Forward-Looking Statements

This Annual Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include statements regarding the expected impact of the outcome of litigation arising in the ordinary course of business and the outcome of the Helen Cutler and Mary Lewin v. Orkin Exterminating Company, Inc. et al. ("Cutler") and the Butland et al. v. Orkin Exterminating Company, Inc. et al.("Butland") litigation on the Company's financial condition, results of operations and liquidity; the Company's potential for recurring revenue; and the Company's projected 2002 capital expenditures and performance. The actual results of the Company could differ materially from those indicated by the forward-looking statements because of various risks and uncertainties including, without limitation, the possibility of an adverse ruling against the Company in the Cutler, Butland or other litigation; general economic conditions; market risk; changes in industry practices or technologies; the degree of success of the Company's termite process reforms and pest control selling and treatment methods; the Company's ability to identify potential acquisitions; climate and weather trends; competitive factors and pricing practices; potential increases in labor costs; and changes in various government laws and regulations, including environmental regulations. All of the foregoing risks and uncertainties are beyond the ability of the Company to control, and in many cases the Company cannot predict the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Market Risk

As of December 31, 2001, the Company no longer maintains a material investment portfolio subject to interest rate risk exposure. The Company is, however, subject to interest rate risk exposure through borrowings on its $40.0 million credit facility. Due to the immaterial amount of such borrowings as of December 31, 2001 and as currently anticipated at December 31, 2002, this risk is not expected to have a material effect upon the Company's results of operations or financial position going forward.

Item 8. Financial Statements and Supplementary Data.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Rollins, Inc. and Subsidiaries

At December 31, (In thousands except share and per share data)	2001	2000
ASSETS		
Cash and Short-Term Investments	**$ 8,650**	$ 399
Trade Receivables, Net of Allowance for Doubtful Accounts of $6,973 and $8,729, respectively	**48,479**	50,099
Materials and Supplies	**11,895**	12,980
Deferred Income Taxes	**21,044**	18,472
Other Current Assets	**10,415**	7,019
Current Assets	**100,483**	88,969
Equipment and Property, Net	**44,273**	50,986
Goodwill and Other Intangible Assets	**112,450**	115,966
Deferred Income Taxes	**39,309**	42,645
Other Assets	**44**	253
Total Assets	**$ 296,559**	$ 298,819
LIABILITIES		
Capital Lease Obligations	**$ 256**	$ 1,829
Accounts Payable	**12,920**	13,078
Accrued Insurance	**9,912**	9,547
Accrued Payroll	**30,921**	27,287
Unearned Revenue	**27,470**	26,381
Accrual for Termite Contracts	**15,000**	15,000
Other Current Liabilities	**12,057**	10,498
Current Liabilities	**108,536**	103,620
Capital Lease Obligations	**—**	256
Accrued Insurance	**32,713**	39,400
Accrual for Termite Contracts	**35,875**	42,651
Long-Term Accrued Liabilities	**33,937**	34,293
Total Liabilities	**211,061**	220,220
STOCKHOLDERS' EQUITY		
Common Stock, par value $1 per share; 99,500,000 shares authorized; 30,069,990 and 30,036,241 shares issued and outstanding at December 31, 2001 and 2000, respectively	**30,070**	30,036
Accumulated Other Comprehensive Income	**(4,822)**	—
Retained Earnings	**60,250**	48,563
Total Stockholders' Equity	**85,498**	78,599
Total Liabilities and Stockholders' Equity	**$ 296,559**	$ 298,819

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

CONSOLIDATED STATEMENTS OF INCOME
Rollins, Inc. and Subsidiaries

Years Ended December 31, (In thousands except per share data)	2001	2000	1999
REVENUES			
Customer Services	**$ 652,286**	$ 649,558	$ 586,639
COSTS AND EXPENSES			
Cost of Services Provided	**364,322**	371,654	341,475
Depreciation and Amortization	**20,292**	18,421	13,433
Sales, General and Administrative	**240,544**	244,530	223,247

Interest Income	**(198)**	(450)	(3,048)
	624,960	634,155	575,107
INCOME BEFORE INCOME TAXES	**27,326**	15,403	11,532
PROVISION FOR INCOME TAXES			
Current	**6,771**	3,182	(2,694)
Deferred	**3,613**	2,671	7,076
	10,384	5,853	4,382
NET INCOME	**$ 16,942**	$ 9,550	$ 7,150
EARNINGS PER SHARE—BASIC AND DILUTED:			
Net Income	**$ 0.56**	$ 0.32	$ 0.24
Average Shares Outstanding—Basic	**30,134**	30,009	30,325
Average Shares Outstanding—Diluted	**30,266**	30,046	30,332

STATEMENT OF CHANGES IN EQUITY

Rollins, Inc. and Subsidiaries

	Total	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock
Balance at December 31, 1998	**$ 80,235**		**$ 49,746**	**$ —**	**$ 30,489**
Net Income	7,150		7,150		
Common Stock Purchased	(11,795)		(11,076)		(719)
Common Stock Issued for Acquisition of Companies	2,003		1,892		111
Cash Dividends	(6,076)		(6,076)		
Other	273		273		
Balance at December 31, 1999	**71,790**		**41,909**	**—**	**29,881**
Net Income	9,550		9,550		
Common Stock Purchased	(154)		(144)		(10)
Common Stock Issued for Acquisition of Companies	2,472		2,307		165
Cash Dividends	(6,031)		(6,031)		
Other	972		972		
Balance at December 31, 2000	**78,599**		**48,563**	**—**	**30,036**
Net Income	16,942	16,942	16,942		
Other comprehensive income, net of tax					
Minimum Pension Liability Adjustment	(4,047)	(4,047)			
Foreign Currency Translation Adjustments	(775)	(775)			
Other Comprehensive Income		(4,822)		(4,822)	
Comprehensive Income		$ 12,120			
Cash Dividends	(6,028)		(6,028)		
Common Stock Purchased	(1,610)		(1,503)		(107)
Common Stock Issued for Acquisition of Companies	500		469		31
Issuance of 401(k) Company Match	1,820		1,712		108
Other	97		95		2
Balance at December 31, 2001	**$ 85,498**		**$ 60,250**	**$ (4,822)**	**$ 30,070**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Rollins, Inc. and Subsidiaries

Years Ended December 31, (In thousands)	2001	2000	1999
OPERATING ACTIVITIES			
Net Income	**$ 16,942**	$ 9,550	$ 7,150
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	**20,292**	18,421	13,433
Provision for Deferred Income Taxes	**3,360**	2,671	7,076
Other, Net	**250**	(42)	1,471
(Increase) Decrease in Assets:			
Trade Receivables	**1,620**	(1,266)	2,243
Materials and Supplies	**1,085**	614	1,310
Other Current Assets	**(3,396)**	607	(2,576)
Other Non-Current Assets	**(2,476)**	1,858	(6,611)
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Expenses	**5,413**	(8,271)	631
Unearned Revenue	**1,088**	6,690	5,134
Accrued Insurance	**(6,322)**	(6,270)	(2,413)
Accrual for Termite Contracts	**(6,776)**	(11,702)	(22,798)
Long-Term Accrued Liabilities	**(1,522)**	(1,413)	4,112
Net Cash Provided by Operating Activities	**29,558**	11,447	8,162
INVESTING ACTIVITIES			
Purchases of Equipment and Property	**(8,474)**	(14,411)	(18,818)
Net Cash Used for Acquisitions of Companies	**(704)**	(7,437)	(60,964)
Marketable Securities, Net	—	13,084	97,145
Net Cash (Used in) Provided by Investing Activities	**(9,178)**	(8,764)	17,363
FINANCING ACTIVITIES			
Dividends Paid	**(6,028)**	(6,031)	(6,076)
Common Stock Purchased	**(1,610)**	(154)	(11,795)
Payments on Capital Leases	**(1,829)**	(3,397)	(3,421)
(Payments)/Borrowings, under the Credit Facility	**(1,400)**	1,400	—
Other	**(1,262)**	209	212
Net Cash Used in Financing Activities	**(12,129)**	(7,973)	(21,080)
Net Increase (Decrease) in Cash and Short-Term Investments	**8,251**	(5,290)	4,445
Cash and Short-Term Investments at Beginning of Year	**399**	5,689	1,244
Cash and Short-Term Investments at End of Year	**$ 8,650**	$ 399	$ 5,689

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2001, 2000, and 1999, Rollins, Inc. and Subsidiaries

1. SIGNIFICANT ACCOUNTING POLICIES

Business Description—Rollins, Inc. (the Company) is a national service company with headquarters located in Atlanta, Georgia, providing pest and termite control services to both residential and commercial customers.

Orkin Exterminating Company, Inc. (Orkin), a wholly-owned subsidiary founded in 1901, is one of the world's largest pest and termite control companies. It provides customized services from over 400 locations to approximately 1.6 million customers. Orkin serves customers in the United States, Canada, and Mexico, providing essential pest control services and protection against termite damage, rodents and insects to homes and businesses, including hotels, food service establishments, discount and grocery retail stores, dairy farms and transportation companies. Orkin operates under the Orkin® and PCO Services, Inc.® trademarks and the Acurid℠ service mark.

The Company has only one reportable segment, its pest and termite control business. The Company's results of operations and its financial condition are not reliant upon any single customer or a few customers or the Company's foreign operations.

Principles of Consolidation—The consolidated financial statements of the Company include the accounts of Rollins, Inc. and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

Estimates Used in the Preparation of Consolidated Financial Statements—The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues—Revenue is recognized at the time services are performed through a contractual pricing arrangement where collectibility is reasonably assured.

Cash and Short-Term Investments—The Company considers all investments with a maturity of three months or less to be cash equivalents. Short-term investments are stated at cost, which approximates fair market value.

Materials and Supplies—Materials and supplies are recorded at the lower of cost (first-in, first-out basis) or market.

Equipment and Property—Depreciation and amortization, which includes the amortization of assets recorded under capital leases, are provided principally on a straight-line basis over the estimated useful lives of the related assets. Annual provisions for depreciation of $13.6 million in 2001 and $11.4 million and $10.7 million for each of the years 2000 and 1999 have been reflected in the Consolidated Statements of Income in the line item entitled Depreciation and Amortization. These annual provisions for depreciation are computed using the following asset lives: buildings, ten to forty years; and furniture, fixtures, and operating equipment, three to ten years. The cost of assets retired or otherwise disposed of and the related accumulated depreciation and amortization are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to income. Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are expensed as incurred.

Insurance—The Company self-insures, up to specified limits, certain risks related to general liability, workers' compensation and vehicle liability. The estimated costs of existing and future claims under the self-insurance program are accrued based upon historical trends as incidents occur, whether reported or

unreported (although actual settlement of the claims may not be made until future periods) and may be subsequently revised based on developments relating to such claims. These estimated outstanding claims have been reflected in the Consolidated Statements of Financial Position in the line item entitled Accrued Insurance.

Advertising—Advertising expenses are charged to income during the year in which they are incurred. The total advertising costs were approximately $30.2 million, $30.8 million and $28.3 million in 2001, 2000, and 1999, respectively.

Income Taxes—The Company follows the practice of providing for income taxes based on Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes", which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns.

Earnings Per Share—In accordance with SFAS No. 128, "Earnings Per Share" (EPS), the Company presents basic EPS and diluted EPS. Basic EPS is computed on the basis of weighted-average shares outstanding. Diluted EPS is computed on the basis of weighted-average shares outstanding plus common stock options outstanding during the year, which, if exercised, would have a dilutive effect on EPS. Basic and diluted EPS are the same for all years reported. A reconciliation of the number of weighted-average shares used in computing basic and diluted EPS is as follows:

(In thousands)	**2001**	**2000**	**1999**
Basic EPS	**30,134**	30,009	30,325
Effect of Dilutive Stock Options	**132**	37	7
Diluted EPS	**30,266**	30,046	30,332

Stock-Based Compensation—As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company accounts for employee stock compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees." See Note 9 for additional information.

Comprehensive Income—For the years ended December 31, 2000, and 1999, comprehensive income was not materially different from net income and, as a result, the impact of SFAS No. 130, "Reporting Comprehensive Income," was not reflected in the those consolidated financial statements. For the year ended 2001, the Company is reporting comprehensive income due to additional minimum liabilities recorded in association with the pension plan and foreign currency translation in the accompanying Statement of Changes in Equity.

New Accounting Standards—The FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The adoption of this standard, effective for the Company as of January 1, 2001, did not impact the results of operations or financial condition of the Company as the Company is not a party to any derivative transactions that fall under the provisions of this statement. In June 2001 the FASB approved SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 prospectively prohibits the pooling of interests method of accounting for business combinations initiated after June 30, 2001. The amortization of existing goodwill ceased on January 1, 2002. Any goodwill resulting from acquisitions completed after June 30, 2001 will not be amortized. SFAS No. 142 also establishes a new method of testing goodwill for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. The adoption of SFAS No. 142 will result in the Company's discontinuation of amortization of its goodwill; however, the Company will be required to test its goodwill for impairment under the new standard beginning in 2002. The expected impact from the application is a decrease in amortization expense of approximately $2.3 million in 2002. Also, per SFAS No. 142, the expected life of customer contracts was reviewed and they will be amortized over a life between 8 to

12.5 years dependent upon customer type. The expected impact of this review is an increase in amortization expense of $2.1 million in 2002. The FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" effective June 15, 2002 that addresses obligations associated with the retirement of tangible long-lived assets and associated retirement costs. The FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" effective for fiscal years beginning after December 15, 2001 and addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The Company does not believe the impact of adopting SFAS No. 143 or SFAS No. 144 will have a material impact on its financial statements.

Reclassifications—Certain amounts for previous years have been reclassified to conform with the 2001 consolidated financial statement presentation.

2. ACQUISITIONS AND JOINT VENTURE

On April 30, 1999, the Company and Johnson Wax Professional entered into a joint venture, Acurid Retail Services, L.L.C. (Acurid Retail), created to sell and provide pest elimination services to customers in the retail market and jointly contributed existing customers to the joint venture. The Company owned 50% of the joint venture, which was accounted for using the equity method. On July 1, 2000, the Company further expanded its commercial operations through the acquisition of the remaining 50% of the joint venture. The acquisition was accounted for as a purchase with the results of operations of the business acquired included from the effective date of the acquisition.

In addition, on April 30, 1999, the Company's wholly-owned subsidiary, Orkin Exterminating Company, Inc. (Orkin), acquired the remaining pest elimination business operations of PRISM, a subsidiary of Johnson Wax Professional, for approximately twenty-four million dollars. The acquisition was accounted for as a purchase with the results of operations of the business acquired included from the effective date of the acquisition. The acquisition resulted in excess costs over net assets acquired of approximately sixteen million dollars, which were being amortized over a life of twenty years using the straight-line method through December 31, 2001.

On October 29, 1999, Orkin acquired PCO Services, Inc. (PCO), a subsidiary of Johnson Wax Professional. Orkin acquired all the shares of capital stock of PCO for approximately twenty-five million dollars. The acquisition was accounted for as a purchase with the results of operations of the business acquired included from the effective date of the acquisition. The acquisition resulted in excess costs over net assets acquired of approximately five hundred thousand dollars, which were being amortized over a life of twenty years using the straight-line method through December 31, 2001.

On December 3, 1999, Orkin acquired the pest control business operations of Redd Pest Control Company, Inc. (Redd) for approximately thirteen million dollars, of which approximately seven million was paid in cash. Under the terms of the agreement, Orkin acquired all the pest control customers of Redd, together with certain assets. The acquisition was accounted for as a purchase with the results of operations of the business acquired included from the effective date of the acquisition. The acquisition resulted in excess costs over net assets acquired of approximately eight million dollars, which were being amortized over a life of twenty years using the straight-line method through December 31, 2001. In addition, the Company has made other, less significant individual acquisitions.

3. TRADE RECEIVABLES

Trade receivables, net, at December 31, 2001, totaling $48.5 million and at December 31, 2000, totaling $50.1 million are net of allowances for doubtful accounts of $7.0 million and $8.7 million, respectively. Trade receivables include installment receivable amounts, which are due subsequent to one year from the balance sheet dates. These amounts were approximately $7.4 million and $7.2 million at the end of 2001 and 2000, respectively. The carrying amount of installment receivables approximates fair value because the interest rates approximate market rates.

4. EQUIPMENT AND PROPERTY

Equipment and property are presented at cost less accumulated depreciation and are detailed as follows:

(In thousands)	2001	2000
Buildings	**$ 10,408**	$ 10,009
Operating Equipment	**65,795**	64,538
Furniture and Fixtures	**7,703**	7,414
Computer Equipment Under Capital Leases	**2,721**	7,787
	86,627	89,748
Less—Accumulated Depreciation	**46,229**	42,638
	40,398	47,110
Land	**3,875**	3,876
	$ 44,273	$ 50,986

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of cost over net assets of businesses acquired and is stated at cost less accumulated amortization. Goodwill arising from acquisitions prior to November 1970 is not being amortized for financial statement purposes, since, in the opinion of Management, there has been no decrease in the value of the acquired businesses. Goodwill arising from acquisitions since November 1970 has been amortized over useful lives ranging from fifteen to forty years.

Other intangible assets include trademarks, customer contracts and non-compete agreements and are being amortized over three to twenty years. Total amortization expense for intangible assets was $6.7 million, $7.0 million and $2.7 million for the years ended December 31, 2001, 2000, and 1999, respectively.

6. INCOME TAXES

A reconciliation between taxes computed at the statutory rate on the Income Before Income Taxes and the Provision for Income Taxes is as follows:

(In thousands)	2001	2000	1999
Federal Income Taxes at Statutory Rate	$ 9,564	$ 5,391	$ 4,036
State Income Taxes (Net of Federal Benefit)	712	885	697
Foreign Taxes	360	—	—
Other	(252)	(423)	(351)
	$ 10,384	$ 5,853	$ 4,382

The Provision for Income Taxes was based on a 38.0% estimated effective income tax rate on Income Before Income Taxes for the years ended December 31, 2001, 2000 and 1999. The effective income tax rate differs from the annual federal statutory tax rate primarily because of state and foreign income taxes. For the year ended December 31, 2001, the Company paid income taxes of $5.9 million, net of refunds received. During 2000, the Company received a refund of income taxes of $2.8 million, net of current payments. For 1999, the Company paid income taxes of $662,000, net of refunds received.

Components of the net deferred income tax assets (liabilities) at December 31, 2001 and 2000 include:

(In thousands)	2001	2000
Termite Accrual	**$ 19,333**	$ 21,907
Insurance Reserves	**16,198**	18,600
Safe Harbor Lease	**(2,946)**	(6,557)
Accrued Expenses	**13,310**	12,779
Compensation and Benefits	**5,106**	5,685
Depreciation and Amortization	**5,180**	4,393
Other	**4,172**	4,310
	$ 60,353	$ 61,117

7. ACCRUAL FOR TERMITE CONTRACTS

The Company maintains an accrual for termite contracts representing the estimated costs of reinspections, reapplications, repair claims and associated labor, chemicals, and other costs incurred relative to termite services performed prior to the balance sheet date. These costs represent management's best estimate of costs to be incurred. The related liabilities at December 31, 2001 and 2000 have been reflected in the Consolidated Statements of Financial Position in the line items entitled Accrual for Termite Contracts.

8. COMMITMENTS AND CONTINGENCIES

The Company has capitalized lease obligations maturing in 2002 and several operating leases expiring at various dates through 2017. The minimum lease payments under the capital leases and non-cancelable operating leases with terms in excess of one year, in effect at December 31, 2001, are summarized as follows:

(In thousands)	Capitalized Leases	Operating Leases
2002	$ 258	$ 22,570
2003	—	18,750
2004	—	11,789
2005	—	7,668
2006	—	6,159
Thereafter	—	25,656
	258	$ 92,592
Amount Representing Interest	(2)	
Present Value of Obligations	256	
Portion Due Within One Year	(256)	
Long-Term Obligations	$ —	

Total rental expense under operating leases charged to operations was $28.7 million, $29.4 million and $25.6 million for the years ended December 31, 2001, 2000, and 1999, respectively.

The Company maintains a credit facility with a bank that allows it to borrow up to $40.0 million on an unsecured basis at the bank's prime rate of interest or the indexed London Interbank Offered Rate (LIBOR). No amount was outstanding under this credit facility as of December 31, 2001. As of December 31, 2000, outstanding borrowings of $1.4 million under this credit facility were reflected in the Consolidated Statements of Financial Position in the line item entitled Other Current Liabilities.

The Company is aggressively defending lawsuits filed in the District Court of Houston County, Alabama and the Circuit Court of Hillsborough County, Tampa, Florida. At this time, the final outcome of the litigation cannot be determined. In the opinion of Management the ultimate resolution of the Houston County and Hillsborough County lawsuits will not have a material impact on the financial condition, results of operations or liquidity of the Company. For further discussion of these legal proceedings, see Part I, Item 3 beginning on page 8 of this Form 10-K.

The Company is involved in other litigation matters incidental to its business. With respect to such other suits, Management does not believe the litigation in which the Company is involved will have a material adverse effect upon its results of operations or financial condition.

9. EMPLOYEE BENEFIT PLANS

The Company maintains a noncontributory tax-qualified defined benefit retirement plan (the Plan) covering all employees meeting certain age and service requirements. The Plan provides benefits based on the average compensation for the highest five years during the last ten years of credited service (as defined) in which compensation was received, and the average anticipated Social Security covered earnings. The Company funds the Plan with at least the minimum amount required by ERISA. Effective January 1, 2002 the Company has adopted amendments to the plan including a change to the benefit calculation and limiting plan participation to current participants. These amendments are reflected below in the projected benefit obligation.

The funded status of the Plan and the resulting accrued pension expense are summarized as follows as of December 31:

(In thousands)	2001	2000
CHANGE IN BENEFIT OBLIGATION		
Benefit Obligation at Beginning of Year	**$ 85,646**	$ 75,426
Service Cost	**4,794**	4,097
Interest Cost	**7,207**	6,307
Amendments	**(8,419)**	—
Actuarial Loss	**8,414**	3,172
Benefits Paid	**(3,636)**	(3,356)
Benefit Obligation at End of Year	**94,006**	85,646
CHANGE IN PLAN ASSETS		
Fair Value of Plan Assets at Beginning of Year	**74,066**	66,514
Actual Return on Plan Assets	**(638)**	4,380
Employer Contribution	**7,150**	6,528
Benefits Paid	**(3,636)**	(3,356)
Fair Value of Plan Assets at End of Year	**76,942**	74,066
Funded Status	**(17,064)**	(11,580)
Unrecognized Net Actuarial Loss	**15,862**	7,832
Unrecognized Prior Service Cost	**—**	(75)
Accrued Pension Expense	**$ (1,202)**	$ (3,823)

Accrued pension expense at December 31, 2001 and 2000 of $1.2 million and $3.8 million, respectively, have been reflected in the Consolidated Statements of Financial Position in the line items entitled Accrued Payroll and Long-Term Accrued Liabilities. During 2001, the Company also recognized an additional minimum liability of approximately $6.2 million as a component of other comprehensive income.

The weighted-average assumptions as of December 31 were as follows:

	2001	2000	1999
Discount Rate	**7.375%**	7.75%	8.00%
Expected Return on Plan Assets	**8.500%**	9.50%	9.50%
Rate of Compensation Increase	**4.375%**	4.75%	5.00%

The components of net periodic benefit cost for the past three years are summarized as follows:

(In thousands)	2001	2000	1999
Service Cost	**$ 4,794**	$ 4,097	$ 4,379
Interest Cost	**7,207**	6,307	5,694
Expected Return on Plan Assets	**(7,458)**	(6,494)	(5,751)
Net Amortizations:			
Amortization of Net Loss	**62**	—	634
Amortization of Net Prior Service Cost	**(75)**	(82)	(69)
Net Periodic Benefit Cost	**$ 4,530**	$ 3,828	$ 4,887

At December 31, 2001, the Plan's assets were comprised of listed common stocks and U.S. government and corporate securities. Included in the assets of the Plan were shares of Rollins, Inc. Common Stock with a market value of $6.1 million.

The Company sponsors a deferred compensation 401(k) plan that is available to substantially all employees with six months of service. The charges to expense for the Company match were approximately $2.0 million in 2001, $2.1 million in 2000 and $2.2 million in 1999. At December 31, 2001 approximately 17% of the plan assets consisted of Rollins Inc. stock.

The Company has two Employee Incentive Stock Option Plans, the first adopted in January 1994 (1994 Plan) and the second adopted in April 1998 (1998 Plan) as a supplement to the 1994 Plan. An aggregate of 3.0 million shares of Common Stock may be granted under various stock incentive programs sponsored by these plans, at a price not less than the market value of the underlying stock on the date of grant. Options may be issued under the 1994 Plan and the 1998 Plan through January 2004 and April 2008, respectively, and expire ten years from the date of grant, if not exercised.

Options are also outstanding under a prior Employee Incentive Stock Option Plan (1984 Plan). Under this plan, 1.2 million shares of Common Stock were subject to options granted during the ten-year period ended October 1994. The options were granted at the fair market value of the shares on the date of grant and expire ten years from the date of grant, if not exercised. No additional options will be granted under the 1984 Plan.

Option transactions during the last three years for the 1998, 1994 and 1984 Plans are summarized as follows:

	2001	2000	1999
Number of Shares Under Stock Options:			
Outstanding at Beginning of Year	**1,835,440**	1,766,174	1,144,620
Granted	**172,500**	197,500	874,000
Exercised	**(4,050)**	(1,784)	(246)
Cancelled	**(360,390)**	(126,450)	(252,200)
Outstanding at End of Year	**1,643,500**	1,835,440	1,766,174
Exercisable at End of Year	**721,380**	547,480	263,834
Weighted-Average Exercise Price:			
Granted	**$ 18.25**	$ 14.75	$ 16.31
Exercised	**13.25**	13.25	13.25
Cancelled	**19.57**	16.83	18.53
Outstanding at End of Year	**18.23**	18.08	18.66
Exercisable at End of Year	**18.90**	19.10	21.29

Information with respect to options outstanding and options exercisable at December 31, 2001 is as follows:

Exercise Price	Number Outstanding	Average Remaining Contractual Life (In Years)	Number Exercisable
$19.08	3,000	0.08	3,000
25.50	1,600	1.08	1,600
28.38	57,400	2.08	42,500
24.25	4,000	3.08	2,400
20.88	24,000	4.08	12,000
19.25	92,500	5.08	58,480
19.69	582,500	6.33	334,500
16.31	598,500	7.08	239,400
14.75	137,500	8.08	27,500
18.25	142,500	9.08	—
	1,643,500		721,380

The Company applied APB No. 25, "Accounting for Stock Issued to Employees", in accounting for its stock options and, accordingly, no compensation cost has been recognized for stock options in the consolidated financial statements. Had the Company determined compensation cost based on the fair value at the grant date of its stock options granted in 2001, 2000, and 1999 under SFAS No. 123 (See Note 1), the Company's net income, as disclosed on the Consolidated Statements of Income, would have been reduced by approximately $1.5 million in 2001, $1.4 million in 2000, and $1.2 million in 1999. Earnings per share would have been reduced by $.05 in 2001, $.05 in 2000 and $.04 in 1999.

The per share weighted-average fair value of stock options granted during 2001, 2000, and 1999 was $5.45, $5.62, and $4.30, respectively, on the date of grant, using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2001	2000	1999
Risk-Free Interest Rate	**5.10%**	6.90%	5.12%
Expected Life, in Years	**8**	8	8
Expected Volatility	**15.76%**	20.66%	21.30%
Expected Dividend Yield	**1.10%**	1.25%	2.49%

10. Unaudited Quarterly Data

PROFIT AND LOSS INFORMATION

(In thousands except per share data)	First	Second	Third	Fourth
2001				
Revenues	$ 150,973	$ 181,349	$ 169,806	$ 150,158
Net Income	2,021	9,038	4,268	1,615
Earnings per Share—Basic and Diluted	0.07	0.30	0.14	0.05
2000				
Revenues	$ 149,550	$ 180,528	$ 172,373	$ 147,107
Net Income (Loss)	794	8,102	2,363	(1,709)
Earnings (Loss) per Share—Basic and Diluted	0.03	0.27	0.08	(0.06)
1999				
Revenues	$ 129,886	$ 162,342	$ 154,102	$ 140,309

Net Income (Loss)	467	7,623	1,432	(2,372)
Earnings (Loss) per Share—Basic and Diluted	0.02	0.25	0.05	(0.08)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There have been no changes in or disagreements with accountants on accounting and financial disclosure.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information under the captions "Election of Directors" included on pages 4 and 5 and "Section 16(a) Beneficial Ownership Reporting Compliance" included on page 13 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 23, 2002 is incorporated herein by reference. Additional information concerning executive officers is included in Part I, Item 4.A. of this Form 10-K.

Item 11. Executive Compensation.

The information under the caption "Executive Compensation" included on pages 10 through 12 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 23, 2002 is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information under the captions "Capital Stock" and "Election of Directors" included on pages 2 through 3 and pages 4 through 5, respectively, of the Proxy Statement for the Annual Meeting of Stockholders to be held April 23, 2002 is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The information under the caption "Compensation Committee Interlocks and Insider Participation" included on page 9 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 23, 2002 is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) *Consolidated Financial Statements, Financial Statement Schedule and Exhibits*.

1. Consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements and Schedule are filed as part of this report.

2. The financial statement schedule listed in the accompanying Index to Consolidated Financial Statements and Schedule is filed as part of this report.

3. Exhibits listed in the accompanying Index to Exhibits are filed as part of this report. The following such exhibits are management contracts or compensatory plans or arrangements:

(10)(a) Rollins, Inc. 1984 Employee Incentive Stock Option Plan is incorporated herein by reference to Exhibit 10 as filed with its Form 10-K for the year ended December 31, 1996.

(10)(b) Rollins, Inc. 1994 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit (10)(b) as filed with its Form 10-K for the year ended December 31, 1999.

(10)(c) Rollins, Inc. 1998 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit A of the March 24, 1998 Proxy Statement for the Annual Meeting of Stockholders held on April 28, 1998.

(b) *Reports on Form 8-K.*

1. No reports on Form 8-K were filed or were required to be filed during the fourth quarter of calendar year 2001.

(c) Exhibits (inclusive of item 3 above):

(2)(a) Asset Purchase Agreement by and between Orkin Exterminating Company, Inc. and PRISM Integrated Sanitation Management, Inc. is incorporated herein by reference to Exhibit (2) as filed with its Form 10-Q filed on August 16, 1999.

(b)	Stock Purchase Agreement as of September 30, 1999, by and among Orkin Canada, Inc., Orkin Expansion, Inc., S.C. Johnson Commercial Markets, Inc., and S.C. Johnson Professional, Inc. is incorporated herein by reference to Exhibit (2)(b) as filed with its Form 10-K for the year ended December 31, 1999.
(c)	Asset Purchase Agreement as of October 19, 1999 by and between Orkin Exterminating Company, Inc., Redd Pest Control Company, Inc., and Richard L. Redd is incorporated herein by reference to Exhibit (2)(c) as filed with its Form 10-K for the year ended December 31, 1999.
(d)	First Amendment to Asset Purchase Agreement dated as of December 1, 1999, by and among Orkin Exterminating Company, Inc., Redd Pest Control Company, Inc. and Richard L. Redd is incorporated herein by reference to Exhibit (2)(d) as filed with its Form 10-K for the year ended December 31, 1999.
(e)	Asset Purchase Agreement, dated as of October 1, 1997, by and among Rollins, Ameritech Monitoring Services, Inc. and Ameritech Corporation is incorporated herein by reference to Exhibit 2.1 as filed with its Form 8-K Current Report filed October 16, 1997.
(3)(i)	Restated Certificate of Incorporation of Rollins, Inc. is incorporated herein by reference to Exhibit (3)(i) as filed with its Form 10-K for the year ended December 31, 1997.
(ii)	By-laws of Rollins, Inc. are incorporated herein by reference to Exhibit (3) (ii) as filed with its Form 10-Q for the quarterly period ended March 31, 1999.
(iii)	Amendment to the By-laws of Rollins, Inc. is incorporated herein by reference to Exhibit (3)(iii) as filed with its Form 10-Q for the quarterly period ended March 31, 2001.
(4)	Form of Common Stock Certificate of Rollins, Inc. is incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.
(10)(a)	Rollins, Inc. 1984 Employee Incentive Stock Option Plan is incorporated herein by reference to Exhibit (10) as filed with its Form 10-K for the year ended December 31, 1996.
(10)(b)	Rollins, Inc. 1994 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit (10)(b) as filed with its Form 10-K for the year ended December 31, 1999.
(10)(c)	Rollins, Inc. 1998 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit A of the March 24, 1998 Proxy Statement for the Annual Meeting of Stockholders held on April 28, 1998.
(13)	Portions of the Annual Report to Stockholders for the year ended December 31, 2001 which are specifically incorporated herein by reference.
(21)	Subsidiaries of Registrant.
(23)	Consent of Independent Public Accountants.
(24)	Powers of Attorney for Directors.
(99)(a)	The financial statements and exhibits required by Form 11-K with respect to the Rollins 401(k) Plan for fiscal years ended December 31, 2001 and 2000 and the auditors' report thereon.
(99)(b)	Consent of Independent Public Accountants with respect to Form 10-K for the Rollins 401(k) Plan.

SIGNATURES

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

ROLLINS, INC.

By: /s/ GARY W. ROLLINS

Gary W. Rollins
Chief Executive Officer, President and Chief Operating Officer
(Principal Executive Officer)
Date: March 18, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ GARY W. ROLLINS

Gary W. Rollins
Chief Executive Officer, President and Chief Operating Officer
(Principal Executive Officer)
Date: March 18, 2002

By: /s/ HARRY J. CYNKUS

Harry J. Cynkus
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)
Date: March 18, 2002

The Directors of Rollins, Inc. (listed below) executed a power of attorney appointing Gary W. Rollins their attorney-in-fact, empowering him to sign this report on their behalf.

R. Randall Rollins, Director
Wilton Looney, Director
Henry B. Tippie, Director
James B. Williams, Director
Bill J. Dismuke, Director

/s/ GARY W. ROLLINS

Gary W. Rollins
As Attorney-in-Fact & Director
March 18, 2002

ROLLINS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE
(Item 14)

Schedules not listed above have been omitted as either not applicable, immaterial or disclosed in the Consolidated Financial Statements or notes thereto.

ROLLINS, INC. AND SUBSIDIARIES
SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999
(In thousands of dollars)

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts(1)	Deductions (2)	Balance at End of Period
Year ended December 31, 2001 Allowance for doubtful accounts	$ 8,729	$ 5,669	$ —	$ 7,425	$ 6,973
Year ended December 31, 2000 Allowance for doubtful accounts	$ 4,929	$ 8,056	$ 1,850	$ 6,106	$ 8,729
Year ended December 31, 1999 Allowance for doubtful accounts	$ 5,347	$ 6,551	$ 434	$ 7,403	$ 4,929

NOTE: (1) Charged to Other Accounts represents beginning balances of allowances for doubtful accounts of acquired companies.

(2) Deductions represent the write-off of uncollectible receivables, net of recoveries.

ROLLINS, INC. AND SUBSIDIARIES
INDEX TO EXHIBITS

Exhibit Number	
(2)(a)	Asset Purchase Agreement by and between Orkin Exterminating Company, Inc. and PRISM Integrated Sanitation Management, Inc. is incorporated by reference to Exhibit (2) as filed with its Form 10-Q filed on August 16, 1999.
(b)	Stock Purchase Agreement as of September 30, 1999, by and among Orkin Canada, Inc., Orkin Expansion, Inc., S.C. Johnson Commercial Markets, Inc., and S.C. Johnson Professional, Inc. is incorporated herein by reference to Exhibit (2)(b) as filed with its Form 10-K for the year ended December 31, 1999.
(c)	Asset Purchase Agreement as of October 19, 1999 by and between Orkin Exterminating Company, Inc., Redd Pest Control Company, Inc., and Richard L. Redd is incorporated herein by reference to Exhibit (2)(c) as filed with its Form 10-K for the year ended December 31, 1999.
(d)	First Amendment to Asset Purchase Agreement dated as of December 1, 1999, by and among Orkin Exterminating Company, Inc., Redd Pest Control Company, Inc. and Richard L. Redd is incorporated herein by reference to Exhibit (2)(d) as filed with its Form 10-K for the year ended December 31, 1999.

(e)	Asset Purchase Agreement, dated as of October 1, 1997, by and among Rollins, Ameritech Monitoring Services, Inc. and Ameritech Corporation is incorporated herein by reference to Exhibit 2.1 as filed with its Form 8-K Current Report filed October 16, 1997.
(3)(i)	Restated Certificate of Incorporation of Rollins, Inc. is incorporated herein by reference to Exhibit (3)(i) as filed with its Form 10-K for the year ended December 31, 1997.
(ii)	By-laws of Rollins, Inc. are incorporated herein by reference to Exhibit (3) (ii) as filed with its Form 10-Q for the quarterly period ended March 31, 1999.
(iii)	Amendment to the By-laws of Rollins, Inc. is incorporated herein by reference to Exhibit (3) (iii) as filed with its Form 10-Q for the quarterly period ended March 31, 2001.
(4)	Form of Common Stock Certificate of Rollins, Inc. is incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.
(10)(a)	Rollins, Inc. 1984 Employee Incentive Stock Option Plan is incorporated herein by reference to Exhibit (10) as filed with its Form 10-K for the year ended December 31, 1996.
(10)(b)	Rollins, Inc. 1994 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit (10)(b) as filed with its Form 10-K for the year ended December 31, 1999.
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(13)	Portions of the Annual Report to Stockholders for the year ended December 31, 2001 which are specifically incorporated herein by reference.
(21)	Subsidiaries of Registrant.
(23)	Consent of Independent Public Accountants.
(24)	Powers of Attorney for Directors.
(99)(a)	The financial statements and exhibits required by Form 11-K with respect to the Rollins 401(k) Plan for fiscal years ended December 31, 2001 and 2000 and the auditors' report thereon.
(99)(b)	Consent of Independent Public Accountants with respect to Form 10-K for the Rollins 401(k) Plan.

REPORT OF MANAGEMENT

To the Stockholders of Rollins, Inc.:

We have prepared the accompanying financial statements and related information included herein for the years ended December 31, 2001, 2000, and 1999. The opinion of Arthur Andersen LLP, the Company's independent public accountants, on those financial statements is included herein. The primary responsibility for the integrity of the financial information included in this annual report rests with Management. Such information was prepared in accordance with accounting principles generally accepted in the United States, appropriate in the circumstances, based on our best estimates and judgments and giving due consideration to materiality.

Rollins, Inc. maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and which produce records adequate for preparation of financial information. The system and controls and compliance therewith are reviewed by an extensive program of internal audits and by our independent public accountants. There are limits inherent in all systems of internal accounting control based on the recognition that the cost of such a system should not exceed the benefit to be derived. We believe the Company's system provides this appropriate balance.

The Board of Directors pursues its review and oversight role for these financial statements through an Audit Committee composed of three outside directors. The Audit Committee's duties include recommending to the Board of Directors the appointment of an independent accounting firm to audit the financial statements of Rollins, Inc. The Audit Committee meets periodically with Management and the Board of Directors. It also meets with representatives of the internal auditors and independent public accountants and reviews the work of each to insure that their respective responsibilities are being carried out and to discuss related matters. Both the internal auditors and independent public accountants have direct access to the Audit Committee.

Gary W. Rollins Inc.
Chief Executive Officer, President and
Chief Operating Officer

Harry J. Cynkus
Chief Financial Officer
and Treasurer

Atlanta, Georgia
February 15, 2002

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Rollins, Inc.:

We have audited the accompanying statements of financial position of Rollins, Inc. (a Delaware Corporation) and subsidiaries as of December 31, 2001 and 2000 and the related statements of income, changes in stockholder equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements and the schedule referred to below are the responsibility of the Company's Management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rollins, Inc. and subsidiaries as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule listed in Item 14 is the responsibility of the Company's Management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Arthur Andersen LLP

Atlanta, Georgia
February 15, 2002

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Exhibit 21

List of Subsidiaries
Rollins, Inc.

The following list sets forth the subsidiaries of Rollins, Inc. as of February 26, 2002. Each corporation whose name is indented is a wholly-owned subsidiary of the corporation next above which is not indented.

Corporation Name	State/Country of Incorporation
Orkin Exterminating Company, Inc.	Delaware
Orkin Systems, Inc.	Delaware
Dettlebach Pesticide Corporation	Georgia
Kinro Advertising Company	Delaware
Orkin Expansion, Inc.	Delaware
Orkin International, Inc.	Delaware
PCO Services, Inc.	Canada
Rollins Continental, Inc.	New York
Rollins Expansion, Inc.	Delaware
Red Diamond Insurance Co.	Vermont
Rollins Supply, Inc.	Delaware

QuickLinks

List of Subsidiaries Rollins, Inc.

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Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports, included in this Form 10-K, into the Company's previously filed Form S-8 Registration Statement (No. 33-06404), Form S-8 Registration Statement (No. 33-26056), Form S-8 Registration Statement (No. 33-52355), Form S-8 Registration Statement (No. 33-47528), and Form S-8 Registration Statement (No. 333-49308).

/s/ ARTHUR ANDERSEN LLP

ARTHUR ANDERSEN LLP

Atlanta, Georgia
March 20, 2002

Exhibit 24

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints R. Randall Rollins and/or Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 14th day of February, 2002.

/s/ James B. Willams

James B. Williams, Director

Witness:

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints R. Randall Rollins and/or Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 14th day of February, 2002.

/s/ Henry B. Tippie

Henry B. Tippie, Director

Witness:

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints R. Randall Rollins and/or Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 14th day of February, 2002.

/s/ Wilton Looney

Wilton Looney, Director

Witness:

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints R. Randall Rollins and/or Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 13th day of February, 2002.

/s/ Bill J. Dismuke

Bill J. Dismuke, Director

Witness:

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 14th day of February, 2002.

/s/ R. Randall Rollins

R. Randall Rollins, Director

Witness:

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Exhibit 99A

ROLLINS 401(k) PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

TABLE OF CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Plan Administrator of the
Rollins 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of the **ROLLINS 401(k) PLAN** as of December 31, 2001 and 2000 and the related statement of changes in net assets available for benefits for the year ended December 31, 2001. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2001 and 2000 and the changes in its net assets available for benefits for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Arthur Andersen LLP

Atlanta, Georgia
February 22, 2002

ROLLINS 401(k) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2001 AND 2000

	2001	2000
INVESTMENTS:		
Investment in Master Trust (Note 3)	$ 99,994,041	$ 108,107,757
CONTRIBUTIONS RECEIVABLE:		
Employer	1,723,994	1,819,520
Participant	0	466,655
EXCESS CONTRIBUTIONS PAYABLE TO PARTICIPANTS	0	(68,826)
NET ASSETS AVAILABLE FOR BENEFITS	$ 101,718,035	$ 110,325,106

The accompanying notes are an integral part of these statements.

ROLLINS 401(k) PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2001

NET LOSS FROM INVESTMENT IN MASTER TRUST	$	(9,270,687)
CONTRIBUTIONS:		
Participant		10,773,574
Employer		1,727,755
Total contributions		12,501,329
DISTRIBUTIONS TO PARTICIPANTS		(11,837,713)
NET DECREASE		(8,607,071)
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year		110,325,106
NET ASSETS AVAILABLE FOR BENEFITS, end of year	$	101,718,035

The accompanying notes are an integral part of this statement.

ROLLINS 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

1. DESCRIPTION OF THE PLAN

The following brief description of the Rollins 401(k) Plan (the "Plan") is provided for general information purposes only. Participants should refer to the plan agreement for more complete information.

The Plan, as amended and restated, is a defined contribution plan. All employees of Rollins, Inc. (the "Company"), except those who are members of a collective bargaining unit, are eligible to participate in the Plan following the completion of six months of service, as defined. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended.

All investment options are established by the Plan with guidelines as to the purpose of each fund. Each of the investment funds has a custodian responsible for the safekeeping and investment of the assets of the fund.

The plan administrator is responsible for the overall administration of the Plan. The trustee of the Plan is Northern Trust Company (the "Trustee"). The Trustee is responsible for the overall safekeeping and investment of the assets of the Plan.

Participants may elect to contribute, via payroll deductions, up to 15% of their before-tax compensation, as defined, subject to certain provisions of the Internal Revenue Code (the "IRC"), into any of the seven investment fund options or a combination thereof in multiples of 5%. All participant contributions are fully vested and nonforfeitable.

The Plan provides for an employer matching contribution of 30% of contributions up to 5% of a participant's compensation. The employer's full contribution under this provision is made in Rollins, Inc. common stock. In order to receive a matching contribution for the plan year, a participant must be actively employed on December 31. Participants in the Plan vest in the Company's contribution based on the following schedule:

	Vested Percentage
Years of service:	
Less than three	0%
Three	20
Four	40
Five	60
Six	80
Seven or more	100

Forfeited nonvested accounts are used to reduce employer contributions. Total forfeitures used to reduce employer contributions for 2001 were $262,201.

The Plan's record keeper is Northern Trust Retirement Consulting ("NTRC"). Separate accounts are maintained for each participant by NTRC. Income and losses on plan investments are allocated to the participants' accounts in accordance with the provisions of the Plan. NTRC provides daily valuation of participant accounts.

A participant may make in-service withdrawals from his/her account only if the participant has a financial hardship, as defined, which in the opinion of the plan administrator cannot be met by funds reasonably available from other resources of the participant, or for any reason upon attainment of age 59$^1/_2$. If a participant retires, is totally and permanently disabled, or otherwise incurs a termination of employment, as defined, he/she shall receive his/her entire vested account balance in the Plan.

Administrative expenses of the Plan, including trustee and custodian fees, shall be paid by the Plan to the extent such expenses are not paid by the Company. All expenses of the Plan were paid by the Company for the year ended December 31, 2001.

Although the Company intends for the Plan to be permanent, the Company has the right to terminate the Plan at any time. Upon termination of the Plan, all participants would become fully vested in their account balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Plan's management to make estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ from those estimates.

Investment Fund Options and Investment Valuation

All investment fund options, excluding the employer contribution portion of the Rollins, Inc. Common Stock Fund, are 100% participant-directed. A summary of investment fund options and investment valuation policies is as follows:

Fixed Income Fund

The Fixed Income Fund consists of insurance company benefit administration fund deposits that are reasonably expected to provide income and preserve capital. The balance represents deposits and interest earned thereon in this fund managed by Connecticut General Life Insurance Company.

The group annuity contract under which these deposits have been made has been determined to be fully benefit-responsive under Statement of Position 94-4. Therefore, this investment is carried at contract value in the accompanying financial statements. At December 31, 2001 and 2000, the crediting interest rate was 7.50% and 7.65%, respectively. This rate may be changed under the terms of the contract, but in no case is it adjusted to less than 0%. The annual yield on the contract for the year ended December 31, 2001 was 7.45%. This contract is subject to credit risk based on the ability of the insurance company to meet interest or principal payments or both as they become due.

Balanced Fund

The Balanced Fund provides for an investment in the Dodge & Cox Balanced Fund, a mutual fund which invests in a mix of common stocks, bonds, and cash-equivalent securities that are reasonably expected to provide current income and capital appreciation. The mutual fund is valued at the quoted market price as of year-end.

Equity Fund

The Equity Fund provides for an investment in the Janus Fund, a mutual fund which invests in common stocks of companies and industries that are reasonably expected to experience increasing demand for their products and services. The mutual fund is valued at the quoted market price as of year-end.

Value Equity Fund

The Value Equity Fund provides for investment in the Vanguard Windsor II Fund, a mutual fund which invests in income-producing common stock and/or securities convertible into common stock. The mutual fund is valued at the quoted market price as of year-end.

Bond Fund

The Bond Fund provides for an investment in the PIMCO Total Return Fund, a fund which invests in an intermediate maturity portfolio that seeks to maintain the value of original investments through fixed income bonds. The mutual fund is valued at the quoted market price as of year-end.

Global Fund

The Global Fund provides for an investment in the Janus Worldwide Fund, a mutual fund which invests in common stock of foreign and domestic companies. The mutual fund is valued at the quoted market price as of year-end.

Rollins, Inc. Common Stock Fund

This fund provides for investment in the common stock of Rollins, Inc. and is managed by the Trustee. The value of the investment in common stock is based on the quoted market price of the stock on the last day of the plan year.

Loans Receivable From Plan Participants

The balance represents loans receivable from Plan participants. The Plan provides for loans to participants of up to 50% of the individual participant's vested account balance. The plan administrator administers this fund. A participant's loan payments of principal and interest are allocated to his/her accounts under the Plan and invested according to the participant's then-current investment elections.

The objectives of the respective funds are not necessarily an indicator of actual performance.

Investments, in general, are subject to various risks, including credit, interest, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term, and such changes could materially affect the amount reported in the statements of net assets available for benefits.

3. MASTER TRUST

The Plan participates in the Rollins Retirement Account Master Trust (the "Master Trust"). The Master Trust reinvests all dividend and interest income received on securities owned by the Master Trust. The value of the units in the Master Trust is adjusted daily to reflect the fair value of the investments. The Master Trust units may be redeemed by the Plan for an amount equal to their current market values, except for units in the Fixed Income Fund, which are redeemed at contract value.

The Plan's interest in the assets of the Master Trust is included in the accompanying statements of net assets available for benefits at December 31, 2001 and 2000. A summary of the net assets of the Master Trust as of December 31, 2001 and 2000 is as follows:

		2001		2000
Investments, at fair value as determined by quoted market prices:				
Mutual funds	$	57,311,082	$	69,919,417
Common stock—Rollins, Inc.		15,795,800		14,564,653
Money market funds		907,830		689,342
Investments, at contract value:				
Group annuity contract		28,653,627		22,511,674
Loans to participants		5,673,608		5,876,944
Accrued investment income		16,240		140,015
Accrued expenses and other liabilities		(2,466)		(1,821)
Adjustments for pending trades		(134,015)		(148,022)
Net assets of Master Trust	$	108,221,706	$	113,552,202

Allocations of the net assets of the Master Trust to participating plans as of December 31, 2001 and 2000 are as follows:

		2001			2000	
		Amount	Percent		Amount	Percent
Rollins 401(k) Plan	$	99,994,041	92.0%	$	108,107,757	95.2%
LOR 401(k) Plan		8,227,665	8.0		5,444,445	4.8
	$	108,221,706	100.0%	$	113,552,202	100.0%

Master Trust income (loss) allocated to the participating plans for the year ended December 31, 2001 is as follows:

Interest income	$	2,567,422
Dividends		1,163,753
Net depreciation in fair value of mutual funds		(14,181,496)
Net appreciation in fair value of Rollins, Inc. common stock		199,187
Net investment loss	$	(10,251,134)

4. TAX STATUS

The Plan obtained a favorable determination letter dated April 13, 1995 in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the IRC. The Plan has been amended since receiving the determination letter. On October 22, 2001, the Company applied to the Internal Revenue Service for a redetermination of the qualified and tax exempt status of the Plan and the related trust. The plan administrator believes that the Plan is currently designed and is being operated in compliance with the applicable requirements of the IRC. Therefore, the plan administrator believes that the Plan was qualified and that the related trust was tax-exempt as of the financial statement dates.

5. NONPARTICIPANT-DIRECTED INVESTMENTS

The employer matching contribution is invested in the Rollins, Inc. Common Stock Fund and may not be transferred by the participants. The portion of the Rollins, Inc. Common Stock Fund that is nonparticipant-directed was $12,917,306 and $11,903,148 at December 31, 2001 and 2000, respectively.

Net assets of the Rollins, Inc. Common Stock Fund (including both participant directed- and nonparticipant-directed amounts) at December 31, 2001 and 2000 are as follows:

		2001		2000
Rollins, Inc. common stock	$	15,795,800	$	14,564,653
Money market fund		266,044		192,192
Employer contribution receivable		1,723,994		1,819,520
Accrued income		544		1,370
	$	17,786,382	$	16,577,735

Changes in net assets for the year ended December 31, 2001 are as follows:

Employer contributions, net of forfeitures	$	1,727,755
Participant		736,177
Gain from investment in Master Trust		370,158
Distributions to participants		(1,652,341)
Interest on loans		35,842
Net transfers to other funds		(8,944)

Net change	$	1,208,647

6. SUBSEQUENT EVENT

Effective January 1, 2002, Rollins amended the Plan to reflect the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). They have changed the Plan to allow participants to contribute from 1% to 25% of total pay to the Plan on a before-tax basis up to the maximum allowed. The Company has changed the employer match to contribute 30 cents for every dollar a participant contributes that does not exceed 6% of pay. Vesting terms have also changed as shown below:

	Vested Percentage
Years of service:	
Less than two	0%
Two	20
Three	40
Four	60
Five	80
Six	100

The Company also allows catch-up contributions. If a participant is age 50 or older by December 31, 2002, they may make an additional contribution of $1,000 for 2002.

QuickLinks

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Exhibit 99b.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference into the Company's previously filed Registration Statements No. 33-06404, No. 33-26056, No. 33-52355, No. 33-47528, and No. 333-49308 of our report dated February 22, 2002 with respect to the financial statements of the Rollins 401(k) Plan included in this Annual Report on Form 10-K for the year ended December 31, 2001.

Atlanta, Georgia
March 20, 2002
