

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

**FORM 8-K**

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

Date of Report (Date of earliest event reported): February 7, 2007

**ROLLINS, INC.**

(Exact name of registrant as specified in its charter)

<b>Delaware</b>	<b>1-4422</b>	<b>51-0068479</b>
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

**2170 Piedmont Road, N.E., Atlanta, Georgia 30324**  
(Address of principal executive offices) (Zip code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02. Results of Operations and Financial Condition.**

On February 7, 2007, the Company issued a press release announcing its results for the fourth quarter and full-year 2006. The Company hereby incorporates by reference herein the information set forth in its Press Release dated February 7, 2007, a copy of which is attached hereto as Exhibit 99.1. Except as otherwise provided in the press release, the press release speaks only as of the date of such press release and such press release shall not create any implication that the affairs of the Company have continued unchanged since such date.

Except for the historical information contained in this report, the statements made by the Company are forward-looking statements that involve risks and uncertainties. All such statements are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. The Company's future performance could differ significantly from the expectations of management and from results expressed or implied in the Press Release. See the risk factors contained in the Press Release for a discussion of certain risks and uncertainties that may impact such forward-looking statements. For further information on other risk factors, please refer to the "Risk Factors" contained in the Company's Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission. The Company disclaims any obligation or duty to update or modify these forward-looking statements.

Included in Exhibit 99.1 are the following non-GAAP financial measures:

- Increase in the Company's net income excluding the impact of the pension curtailment gain in 2005.

Increase in the Company's net income, excluding the impact of the pension curtailment gain in 2005, is presented and deemed useful by management in order to present the Company's results for 2006 as more readily comparable to its results for 2005. The Company's results for 2005 include a \$2.5 million pension curtailment gain, net of taxes, in connection with freezing the Company's defined benefit pension plan which was recorded in accordance with GAAP. There is no comparable gain for 2006.

Management of the Company believes that this non-GAAP measure provides both management and investors with a more complete understanding of the Company's underlying operating results and operating trends. Management uses this non-GAAP financial measure to analyze and forecast the Company's operating results and trends, especially when comparing such results to the Company's prior periods and forecasts. Because the excluded item does not exhibit the same growth pattern or variances as other factors affecting the Company's revenues and net income, management believes that the non-GAAP measure is useful for trend analysis. However, the usefulness of the non-GAAP measures is limited because the measures alone do not give a complete assessment of historical financial position, operating results or cash flows. These are reflected in the U.S. GAAP financial statements, including the Company's consolidated statement of income. The non-GAAP financial information that the Company provides may also differ from the financial information provided by other companies. Therefore, the Company only uses the non-GAAP financial measures in the context of a complete disclosure of operating results. Investors should only consider the non-GAAP measures as part of the overall analysis of the Company's financial results and trends.

The reconciliation of the non-GAAP financial measures to their corresponding GAAP measure is included at Exhibit 99.1.

**Item 9.01. Financial Statements and Exhibits**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release Dated February 7, 2007.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, Rollins, Inc. has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**ROLLINS, INC.**

Date: February 7, 2007

By: /s/Harry J. Cynkus  
Name: Harry J. Cynkus  
Title: Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)

FOR IMMEDIATE RELEASE

**ROLLINS, INC. REPORTS FOURTH QUARTER AND FULL-YEAR 2006  
FINANCIAL RESULTS**

- **Revenue increased 5.0% for the quarter and 7.0% for full year**
- **Diluted Earnings per share rose from \$0.76 to \$0.84 for the 2006, a 10.5% increase.**
- **Cash and marketable securities increased 47.1% to \$63.3 million**

ATLANTA, GEORGIA, February 7, 2007: Rollins, Inc. (NYSE:ROL), a premier North American consumer and commercial services company, today reported unaudited financial results for its fourth quarter and year ended December 31, 2006.

The Company recorded revenues of \$204.7 million, an increase of 5.0% over the prior year's fourth quarter revenue of \$194.8 million. Net income increased 43.3% to \$10.5 million or \$0.15 per diluted share for the fourth quarter ended December 31, 2006, compared to \$7.4 million or \$0.11 per diluted share for the same period in 2005.

Revenues for full year 2006 increased to \$858.9 million, compared to \$802.4 million for the prior year. Rollins recorded net income of \$57.8 million or \$0.84 per diluted share compared to net income of \$52.8 million or \$0.76 per diluted share for the comparable period last year. Included in the results for the year ended December 31, 2005 was a \$2.5 million gain, net of taxes, or \$0.04 per diluted share, as the Company curtailed Rollins, Inc.'s pension plan effective June 30, 2005. Excluding the impact of the pension curtailment gain in 2005, the Company's diluted earnings per share increased 16.7% or \$0.12 per diluted share compared to last year. See attached detailed reconciliation.

Rollins' balance sheet continued to grow with total assets increasing to \$453.2 million and stockholder's equity growth to \$211.5 million. The Company ended the year with cash and marketable securities of \$63.3 million, up 47.1% over last year.

Gary W. Rollins, President and Chief Executive Officer of Rollins, Inc. stated, "We are very pleased with the progress the Company made during the fourth quarter of 2006 where our growth represented the highest percentage of internal growth in our company's recent history. Further, the overall improvement in revenue and net income for the quarter and full year are a confirmation that the effort we have put on sales growth and productivity improvement is bearing fruit."

Mr. Rollins continued, "We believe that we are on track to build on our growth initiatives in all segments of our business and plan to continue to make selective investments in our sales and service initiatives. At

the same time, we will be working on expense margins and productivity improvements. Orkin has again been recognized as a top 100 Training Company in the U.S. in part as a result of our satellite training network launched in 2006. We have exciting plans to ramp up the use of this extraordinary asset in the New Year.”

Mr. Rollins concluded, “We remain excited about our Company’s future but we recognize that there is still much to be done to accomplish our objectives. Our team is dedicated to our plans of business growth and operational improvement for the New Year.”

Rollins, Inc. is a premier North American consumer and commercial services company. Through its wholly owned subsidiaries, Orkin, Inc., Western Pest Services, and The Industrial Fumigant Company, the Company provides essential pest control services and protection against termite damage, rodents and insects to approximately 1.7 million customers in the United States, Canada, Mexico, Panama and Costa Rica from over 400 locations. You can learn more about our subsidiaries by visiting our Web sites at [www.orkin.com](http://www.orkin.com), [www.westernpest.com](http://www.westernpest.com), [www.indfumco.com](http://www.indfumco.com) and [www.rollins.com](http://www.rollins.com). You can also find this and other news releases at [www.rollins.com](http://www.rollins.com) by accessing the news releases button.

**CAUTION CONCERNING FORWARD-LOOKING STATEMENTS**

*This release contains statements that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These include statements regarding effect of various operational initiatives and the dedication of the Company’s employees to further increase the Company’s business put the Company on track year-to-date to meet the Company’s financial goals for 2006 and the Company’s expectation that 2006 will be another notable year for the Company and its shareholders. 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, general economic conditions; market risk; changes in industry practices or technologies; the degree of success of the Company’s pest and termite process reforms and pest control selling and treatment methods; the Company’s ability to identify and integrate potential acquisitions; climate and weather trends; competitive factors and pricing practices; expected benefits of the commercial re-engineering project may not be realized, potential increases in labor costs; uncertainties of litigation; 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. A more detailed discussion of potential risks facing the Company can be found in the Company’s Report on Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2005.*

**ROLLINS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(in thousands)

At December 31,	2006 (unaudited)	2005 (unaudited)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 63,344	\$ 43,065
Trade receivables, short-term	52,693	47,705
Materials and supplies	8,401	9,082
Deferred income taxes	19,435	27,510
Prepaid taxes	—	3,036
Other current assets	7,200	6,069
Total Current Assets	<u>151,073</u>	<u>136,467</u>
Equipment and property, net	72,141	65,932
Goodwill and other intangible assets	202,216	205,584
Deferred income taxes	14,069	15,946
Trade receivables, long-term	8,796	9,368
Other assets	4,880	5,123
<b>Total Assets</b>	<u>\$ 453,175</u>	<u>\$ 438,420</u>
<b>LIABILITIES</b>		
Capital leases	\$ 498	\$ 825
Accounts payable	16,309	17,204
Accrued insurance	14,310	17,605
Accrued compensation and related liabilities	47,305	41,822
Unearned revenue	79,441	79,990
Other current liabilities	27,343	32,220
Total Current Liabilities	<u>185,206</u>	<u>189,666</u>
Capital leases, less current portion	124	560
Accrued pension	6,946	20,651
Long-term accrued liabilities	49,440	50,591
Total Liabilities	<u>241,716</u>	<u>261,468</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock	67,891	68,011
Retained earnings and other equity	143,568	108,941
Total Stockholders' Equity	<u>211,459</u>	<u>176,952</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 453,175</u>	<u>\$ 438,420</u>

ROLLINS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE FOURTH QUARTER AND TWELVE MONTHS ENDED DECEMBER 31, 2006,  
(in thousands except per share data)  
(unaudited)

	Fourth Quarter Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
<b>REVENUES</b>				
Customer services	\$ 204,653	\$ 194,830	\$ 858,878	\$ 802,417
<b>COSTS AND EXPENSES</b>				
Cost of services provided	112,601	112,534	457,869	437,160
Depreciation and amortization	6,460	6,472	26,860	24,280
Sales, general and administrative	69,250	64,924	280,578	259,763
Pension curtailment gain	—	—	—	(4,176)
Gain on sales of assets	(65)	(438)	(81)	(982)
Interest income	(539)	(278)	(1,507)	(1,583)
	<u>187,707</u>	<u>183,214</u>	<u>763,719</u>	<u>714,462</u>
<b>INCOME BEFORE TAXES</b>	<u>16,946</u>	<u>11,616</u>	<u>95,159</u>	<u>87,955</u>
<b>PROVISION FOR INCOME TAXES</b>	<u>6,407</u>	<u>4,264</u>	<u>37,350</u>	<u>35,182</u>
<b>NET INCOME</b>	<u>\$ 10,539</u>	<u>\$ 7,352</u>	<u>\$ 57,809</u>	<u>\$ 52,773</u>
<b>NET INCOME PER SHARE - BASIC</b>	<u>\$ 0.16</u>	<u>\$ 0.11</u>	<u>\$ 0.86</u>	<u>\$ 0.78</u>
<b>NET INCOME PER SHARE - DILUTED</b>	<u>\$ 0.15</u>	<u>\$ 0.11</u>	<u>\$ 0.84</u>	<u>\$ 0.76</u>
Weighted average shares outstanding - basic	67,108	67,596	67,165	67,898
Weighted average shares outstanding - Diluted	68,727	69,333	68,876	69,772

ROLLINS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE TWELVE MONTHS ENDED DECEMBER 31,  
(in thousands)

	2006 (unaudited)	2005 (unaudited)
<b>OPERATING ACTIVITIES</b>		
Net Income	\$ 57,809	\$ 52,773
Adjustments to reconcile net income to net cash		
Provided by operating activities:		
Depreciation and amortization	26,860	24,280
Pension curtailment gain	—	(4,176)
Provision for deferred income taxes	6,007	3,653
Stock based compensation	1,830	739
Gain/(Loss) on sales of assets	(81)	(982)
Other, net	(544)	(2,834)
(Increase)/decrease in assets		
Trade receivables	(3,784)	4,291
Materials and supplies	681	2,385
Other current assets	1,914	715
Other non-current assets	301	353
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	6,633	4,893
Unearned revenue	(550)	(31)
Accrued insurance	1,344	(1,029)
Accrual for termite contracts	(3,000)	(2,111)
Accrued pension	(5,000)	(5,000)
Long-term accrued liabilities	(5,219)	(1,169)
Net cash provided by operating activities	<u>85,201</u>	<u>76,750</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment and property	(18,729)	(25,541)
Acquisitions of companies	(10,087)	(27,239)
Cash from sales of franchises	707	639
Proceeds from sales of assets	128	754
Net cash used in investing activities	<u>(27,981)</u>	<u>(51,387)</u>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(17,025)	(13,714)
Common stock purchased	(19,452)	(30,308)
Common stock options exercised	1,086	3,315
Principal payments on capital leases	(763)	—
Other	(235)	558
Net cash used in financing activities	<u>(36,389)</u>	<u>(40,149)</u>
Effect of exchange rate changes on cash	(552)	1,114
Net increase in cash and cash equivalents	20,279	(13,672)
Cash and cash equivalents at beginning of period	<u>43,065</u>	<u>56,737</u>
Cash and cash equivalents at end of period	<u>\$ 63,344</u>	<u>\$ 43,065</u>



**ROLLINS, INC. AND SUBSIDIARIES**  
**REVENUE RECONCILIATION**  
**REVENUES EXCLUDING THE INDUSTRIAL FUMIGANT COMPANY**

	Twelve Months Ended, December 31			
	2006 (unaudited)	2005 (unaudited)	\$ Better/ (worse)	% Better/ (worse)
Reported net revenues	\$ 858,878	\$ 802,417	\$ 56,461	7.0%
Less: The Industrial Fumigant Company (IFC)	25,920	6,275	19,645	313.1%
Net revenues excluding IFC	<u>\$ 832,958</u>	<u>\$ 796,142</u>	<u>\$ 36,816</u>	<u>4.6%</u>

**ROLLINS, INC. AND SUBSIDIARIES**  
**NET INCOME AND EARNINGS PER SHARE RECONCILIATION**  
**EARNINGS AND EARNINGS PER SHARE EXCLUDING PENSION CURTAILMENT GAIN**

	Twelve Months Ended, December 31			
	2006 (unaudited)	2005 (unaudited)	\$ Better/ (worse)	% Better/ (worse)
Reported net income	\$ 57,809	\$ 52,773	\$ 5,036	9.5%
Less: Pension curtailment gain (net of tax)	—	2,485	2,485	100.0
Income excluding pension curtailment gain	<u>\$ 57,809</u>	<u>\$ 50,288</u>	<u>\$ 7,521</u>	<u>15.0%</u>
Reported earnings per share – Basic	\$ 0.86	\$ 0.78	\$ 0.08	10.3%
Less: Pension curtailment gain (net of tax)	—	0.04	0.04	100.0
Earnings per share – Basic excluding pension curtailment gain	<u>\$ 0.86</u>	<u>\$ 0.74</u>	<u>\$ 0.12</u>	<u>16.2%</u>
Reported earnings per share – Diluted	\$ 0.84	\$ 0.76	\$ 0.08	10.5%
Less: pension curtailment gain (net of tax)	—	0.04	0.04	100.0
Earnings per share – diluted excluding pension curtailment gain	<u>\$ 0.84</u>	<u>\$ 0.72</u>	<u>\$ 0.12</u>	<u>16.7%</u>

# CONFERENCE CALL ANNOUNCEMENT

**Rollins, Inc.**

(NYSE: ROL)



**Management will hold a conference call to discuss  
Fourth quarter results on:**

**Wednesday, February 7, 2007 at:**

**10:00 a.m. Eastern**

**9:00 a.m. Central**

**8:00 a.m. Mountain**

**7:00 a.m. Pacific**

## **TO PARTICIPATE:**

**Please dial 800-218-0530 domestic;  
303-262-2137 international  
at least 5 minutes before start time.**

REPLAY: available through February 14, 2007

Please dial **800-405-2236/303-590-3000**, Passcode: 11081805

*THIS CALL CAN ALSO BE ACCESSED THROUGH THE INTERNET AT*

[www.viavid.net](http://www.viavid.net)

**Questions?**

**Contact Janet Jazimin at Financial Relations Board at 212-827-3777**

**Or email to [jjazimin@financialrelationsboard.com](mailto:jjazimin@financialrelationsboard.com)**