

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended June 30, 1996.

Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-4422

ROLLINS, INC.

Incorporated  
in  
Delaware

I.R.S. Employer  
Identification Number  
51-0068479

2170 Piedmont Road, N.E., Atlanta, Georgia 30324

Telephone Number -- (404) 888-2000

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

At June 30, 1996, there were 35,481,052 shares of Common Stock \$1 Par Value, outstanding.

ROLLINS, INC. AND SUBSIDIARIES

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ROLLINS, INC. AND SUBSIDIARIES  
PART 1. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS  
STATEMENTS OF FINANCIAL POSITION  
(In thousands except share data)  
(Unaudited)

<CAPTION>

	June 30, 1996	December 31, 1995
<S> ASSETS	<C>	<C>

Cash and Short-Term Investments	\$	30,272	\$	33,623
Marketable Securities		83,165		65,743
Trade Receivables, Net		90,826		88,542
Materials and Supplies		17,763		13,924
Deferred Income Taxes		2,489		7,447
Other Current Assets		9,551		13,486
Current Assets		234,066		222,765
Equipment and Property, Net		40,277		37,799
Intangible Assets		41,974		42,013
Other Assets		15,936		12,348
Total Assets	\$	332,253	\$	314,925
LIABILITIES				
Capital Lease Obligation	\$	1,561	\$	1,314
Accounts Payable		17,074		13,334
Accrued Insurance Expenses		14,245		14,314
Accrued Payroll		14,769		12,028
Unearned Revenue		16,688		14,695
Other Expenses		20,044		15,324
Current Liabilities		84,381		71,009
Capital Lease Obligation		6,628		7,422
Long-Term Accrued Liabilities		21,296		15,936
Deferred Income Taxes		6,119		6,240
Total Liabilities		118,424		100,607
Commitments and Contingencies				
STOCKHOLDERS' EQUITY				
Common Stock, par value \$1 per share; authorized				
99,500,000 shares; 41,029,814				
shares issued in 1996; 41,431,814				
shares issued in 1995				
		41,030		41,432
Earnings Retained		223,722		224,009
		264,752		265,441
Less--Common Stock In Treasury, At Cost,				
5,548,762 in 1996 ; 5,573,589				
shares in 1995				
		50,923		51,123
Total Stockholders' Equity		213,829		214,318
Total Liabilities and				
Stockholders' Equity	\$	332,253	\$	314,925

The accompanying notes are an integral part of these statements.

</TABLE>

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<TABLE>

ROLLINS, INC. AND SUBSIDIARIES  
STATEMENTS OF INCOME AND EARNINGS RETAINED  
(In thousands except share data)  
(Unaudited)

<CAPTION>

		Three Months Ended		Six Months Ended				
		June 30,		June 30,				
		1996	1995	1996	1995			
<S>	<C>		<C>	<C>	<C>			
REVENUES								
Customer Services	\$	177,847	\$	175,350	\$	320,349	\$	318,004
COSTS AND EXPENSES								
Cost of Services Provided		94,226	86,874	173,600	160,112			
Depreciation and Amortization		1,949	1,895	3,770	3,734			
Sales, General and								
Administrative Expenses		62,448	53,761	114,747	109,693			
Interest Income		(1,487)	(1,216)	(2,781)	(2,162)			
		157,136	141,314	289,336	271,377			
INCOME BEFORE INCOME TAXES		20,711	34,036	31,013	46,627			
PROVISION (CREDIT) FOR INCOME TAXES								
Current		8,176	13,565	13,359	18,905			
Deferred		(306)	(631)	(1,574)	(1,187)			
		7,870	12,934	11,785	17,718			
NET INCOME		12,841	21,102	19,228	28,909			

EARNINGS RETAINED				
Balance at Beginning of Period	225,082	206,954	224,009	203,582
Cash Dividends	(5,183)	(5,019)	(10,385)	(10,037)
Common Stock Retired	(8,762)	0	(8,762)	0
Other	(256)	528	(368)	1,111
BALANCE AT END OF PERIOD	\$ 223,722	\$ 223,565	\$ 223,722	\$ 223,565
EARNINGS PER SHARE	\$ 0.36	\$ 0.59	\$ 0.54	\$ 0.81
WEIGHTED AVERAGE				
SHARES OUTSTANDING	35,691,862	35,850,498	35,782,506	35,844,128

The accompanying notes are an integral part of these statements.

</TABLE>

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<TABLE>

ROLLINS, INC. AND SUBSIDIARIES  
STATEMENTS OF CASH FLOWS  
(In thousands)  
(Unaudited)

<CAPTION>

	Six Months Ended	
	June 30,	
	1996	1995
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net Income	\$ 19,228	\$ 28,909
Noncash Charges (Credits) to Earnings:		
Depreciation and Amortization	3,770	3,734
Deferred Income Taxes	(1,574)	(1,187)
Other, Net	2,715	2,275
(Increase) Decrease in Assets:		
Trade Receivables	(2,204)	(4,341)
Materials and Supplies	(3,796)	(2,565)
Other Current Assets	8,863	(724)
Other Non-Current Assets	104	(755)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	11,062	9,862
Unearned Revenue	1,656	(498)
Long-Term Accrued Liabilities	5,360	(2,788)
Non-Current Deferred Income Taxes	1,109	701
Net Cash Provided by Operating Activities	46,293	32,623
INVESTING ACTIVITIES		
Purchases of Equipment and Property	(6,364)	(5,167)
Net Cash Used for Acquisition of Companies	(5,498)	(2,266)
Marketable Securities, Net	(17,916)	(15,998)
Proceeds from Sales of Equipment and Property	77	142
Net Cash Used in Investing Activities	(29,701)	(23,289)
FINANCING ACTIVITIES		
Dividends Paid	(10,385)	(10,037)
Purchase of Treasury Stock	(9,164)	0
Payments on Capital Lease	(547)	0
Treasury Stock Issued to Benefit Plans	153	610
Net Cash Used in Financing Activities	(19,943)	(9,427)
Net Increase (Decrease) in Cash and Short-Term Investments	(3,351)	(93)
Cash and Short-Term Investments at Beginning of Period	33,623	31,917
Cash and Short-Term Investments at End of Period	\$ 30,272	\$ 31,824

The accompanying notes are an integral part of these statements.

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ROLLINS, INC. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

NOTE 1. BASIS OF PREPARATION

The consolidated financial statements included herein have been prepared by the Registrant, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations.

These consolidated financial statements should be read in conjunction with the financial statements and related notes contained in the Registrant's annual report on Form 10-K for the year ended December 31, 1995.

In the opinion of management, the consolidated financial statements included herein contain all normal recurring adjustments necessary to present fairly the financial position of the Registrant as of June 30, 1996 and December 31, 1995, and the results of operations and cash flows for the six months ended June 30, 1996 and 1995.

NOTE 2. PROVISION FOR INCOME TAXES

The book provision for income taxes includes the liability for state income taxes, net of the federal income tax benefit. The deferred provision for income taxes arises from the changes during the year in the company's net deferred tax asset or liability.

NOTE 3. EARNINGS PER SHARE

Earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the respective periods.

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ROLLINS, INC. AND SUBSIDIARIES  
PART I. ITEM 2. FINANCIAL INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS  
FOR THE SECOND QUARTER ENDED JUNE 30, 1996

RESULTS OF OPERATIONS

<TABLE>

SELECTED INDUSTRY SEGMENT DATA

<CAPTION>

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	1996	1995	1996	1995
(In thousands)				
<S>	<C>	<C>	<C>	<C>
REVENUES				
Orkin	\$ 159,256	\$ 157,296	\$ 283,689	\$ 282,549
Rollins Protective	15,982	14,660	31,312	28,878
Other	2,609	3,394	5,348	6,577
	\$ 177,847	\$ 175,350	\$ 320,349	\$ 318,004
OPERATING INCOME				
Orkin	\$ 20,678	\$ 33,905	\$ 31,975	\$ 46,969
Rollins Protective	1,428	1,421	2,713	2,762
Other	(433)	(109)	(500)	387
	\$ 21,673	\$ 35,217	\$ 34,188	\$ 50,118

</TABLE>

## General Operating Comments

In the second quarter, the Company continued to execute strategic plans to build on their dedication to customer service and investments for long-term growth. Investments in the core businesses include a renewed emphasis on recurring monthly pest control, increased focus on Commercial opportunities, and expanding the number of locations. During the quarter, the Company repurchased 402,000 shares of their common stock, confirming management's and the Board of Directors' confidence in the Company's future.

Revenues for the second quarter ended June 30, 1996 increased 1.4% or \$2.5 million, to \$177.8 million from the prior year period. Operating income decreased \$13.5 million to \$21.7 million for the quarter, while net income decreased 39.1% to \$12.8 million. Earnings per share were 36 cents versus 59 cents for the second quarter 1995. Year-to-date, net income decreased 33.5% to \$19.2 million and earnings per share were 54 cents versus 81 cents last year.

For the quarter, the Orkin's operating income decreased 39.0% to \$20.7 million on a 1.2% revenue increase to \$159.3 million. Operating margins were 13.0%, compared to 21.6% in the prior year. Rollins Protective Services' (RPS) operating income increased 0.5% to \$1.4 million on a revenue increase of \$1.3 million or 9.0% to \$16.0 million. RPS' operating margins were 8.9% compared to 9.7% last year.

For the six months ended June 30, 1996, Orkin's revenue increased 0.4% with operating income declining 31.9%. Operating margins were 11.3%, compared to 16.6% for the same period last year. RPS revenue increased 8.4% while operating income decreased 1.8%. Operating margins declined from 9.6% to 8.7%. Detail segment information follows.

## Orkin 1996 Versus 1995

Orkin realized an increase in pest control revenue and customer base, supporting the strategic decision to continue emphasizing recurring monthly pest control. However, due to the effect of the unexpected, severe and extended winter weather, the pest control revenue increase is offset by a decrease in termite revenue. The termite business continues to be an important part of Orkin's business mix, however Orkin will continue their strategic marketing and customer service programs toward expansion of the less weather sensitive recurring pest control segment. To augment the positive results in the recurring pest control business, a Commercial Pest Control Division was created during the second quarter.

The decrease in operating income was the result of the termite sales shortfall, combined with increased claims and legal expenses and planned investments in sales and service staffing. Business development activities included 20 new branch and franchise openings during the first six months, compared to 14 for all of 1995.

## Rollins Protective Services (RPS) 1996 Versus 1995

During the second quarter, RPS completed it's second acquisition for the year, with the acquisition of Protect-A-Life Corporation in the Philadelphia area. Acquisitions are an important component of growth for RPS.

RPS operating margins were impacted by investments in new, dedicated commercial branches and costs associated with acquisitions during the last twelve months. Operating income improvements are expected to be realized this year through RPS' focus on the System VII product sales, Commercial sales and service initiatives, cross-marketing efficiencies from the National Customer Support Center, and acquisitions.

## Other 1996 Versus 1995

Other businesses revenue and operating income decreased for the quarter due to revisions of the Company's credit and internal operating policies within the consumer finance area, Rollins Acceptance Company (RAC). The volume of Company financed sales is lower than last year, as the revised policies redirected marketing efforts toward stronger customer demographics inconjunction with a lower termite demand.

The expanded physical facility, increased collector headcount, and new computers and phone dialing equipment caused margin deterioration, however these investments have better positioned RAC to more effectively manage the receivables portfolio and function as a marketing support operation.

## FINANCIAL CONDITION

&lt;TABLE&gt;

&lt;CAPTION&gt;

	June 30, 1996	December 31, 1995
(In thousands)		
<S>	<C>	<C>
Cash and Short-Term Investments	\$ 30,272	\$ 33,623
Marketable Securities	83,165	65,743
	\$ 113,437	\$ 99,366
Working Capital	\$ 149,685	\$ 151,756
Current Ratio	2.8	3.1
Cash Provided By Operations (Twelve Months Ended)	\$ 60,580	\$ 46,910

&lt;/TABLE&gt;

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Rollins, Inc.'s financial position remained solid. The Company's operations have historically provided a strong positive cash flow which represents the Company's principal source of funds. Management believes that this liquidity, along with expected cash from operations, will support the Company's continued growth, capital expenditures, cash dividends, and expansion plans.

Interest income increased 28.6% for the six months ended June 30, 1996, due to the increase in average funds invested in short-term investments and marketable securities, coupled with the increase in the average rate of return.

Net trade receivables increased \$2.3 million or 2.6% at June 30, 1996 compared with December 31, 1995. Trade receivables include installment receivables which are due subsequent to one year from the balance sheet date. These amounts were approximately \$21.9 million and \$26.2 million at June 30, 1996 and December 31, 1995, respectively.

During the six month period, the Company invested \$11.9 million in capital expenditures and acquisitions. Also, \$10.4 million was paid out in cash dividends. The Company maintains a \$40.0 million unused line of credit. This source of funds has not been used, but is available for future acquisitions and growth, if needed.

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ROLLINS, INC. AND SUBSIDIARIES  
PART II. OTHER INFORMATION

## ITEM 1.LEGAL PROCEEDINGS

None

## ITEM 2.CHANGES IN SECURITIES

None

## ITEM 3.DEFAULTS UPON SENIOR SECURITIES

None

## ITEM 4.SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS

The Annual Stockholders' Meeting was held on April 23, 1996. The results of that meeting were disclosed in the Company's Form 10-Q for

the first quarter 1996.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K

None

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SIGNATURES

Pursuant to the requirements 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.

Date: August 12, 1996

Rollins, Inc.  
(Registrant)

Gary W. Rollins  
Gary W. Rollins  
President and Chief  
Operating Officer  
(Member of the Board of  
Directors)

Gene L. Smith  
Gene L. Smith  
Chief Financial Officer  
Secretary and Treasurer  
(Principal Financial and  
Accounting Officer)

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This schedule contains summary financial information extracted from the Statement of Financial Position at June 30, 1996 and Statement of Income for the Second Quarter and Six Months ended June 30, 1996 and is qualified in its entirety by reference to such statements.

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