

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, 1997.

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, 1997, there were 33,708,073 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, 1997	December 31, 1996
<S>	<C>	<C>
ASSETS		
Cash and Short-Term Investments	\$ 6,987	\$ 12,150
Marketable Securities	70,108	84,785
Trade Receivables, Net	82,500	78,856
Materials and Supplies	19,504	15,006
Deferred Income Taxes	4,813	4,379
Other Current Assets	9,992	10,560
Current Assets	193,904	205,736
Equipment and Property, Net	42,242	41,042
Intangible Assets	41,883	41,931
Other Assets	23,981	20,074
Total Assets	\$ 302,010	\$ 308,783
LIABILITIES		
Capital Lease Obligations	\$ 2,998	\$ 2,735
Accounts Payable	18,881	15,897
Accrued Insurance Expenses	14,149	15,053
Accrued Payroll	15,536	12,957
Unearned Revenue	16,617	15,614
Other Expenses	19,165	17,263
Current Liabilities	87,346	79,519
Capital Lease Obligations	10,636	12,163
Long-Term Accrued Liabilities	25,197	20,591
Deferred Income Taxes	4,558	6,220
Total Liabilities	127,737	118,493
Commitments and Contingencies		
STOCKHOLDERS' EQUITY		
Common Stock, par value \$1 per share; authorized 99,500,000 shares; 33,708,073 shares issued in 1997; 34,594,481 shares issued in 1996	33,708	34,594
Earnings Retained	140,565	155,696
Total Stockholders' Equity	174,273	190,290
Total Liabilities and Stockholders' Equity	\$ 302,010	\$ 308,783

The accompanying notes are an integral part of these statements.

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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, 1997	1996	June 30, 1997	1996
<S>	<C>	<C>	<C>	<C>
REVENUES				
Customer Services	\$ 177,781	\$ 177,847	\$ 328,175	\$ 320,349
COSTS AND EXPENSES				
Cost of Services Provided	102,077	94,226	187,949	173,600
Depreciation and Amortization	2,408	1,949	4,719	3,770
Sales, General and Administrative Expenses	64,277	62,448	119,408	114,747
Interest Income	(1,172)	(1,487)	(2,389)	(2,781)
	167,590	157,136	309,687	289,336
INCOME BEFORE INCOME TAXES	10,191	20,711	18,488	31,013
PROVISION (CREDIT) FOR INCOME TAXES				
Current	5,525	8,176	9,673	13,359
Deferred	(1,653)	(306)	(2,648)	(1,574)
	3,872	7,870	7,025	11,785
NET INCOME	6,319	12,841	11,463	19,228

EARNINGS RETAINED				
Balance at Beginning of Period	146,734	225,082	155,696	224,009
Cash Dividends	(5,059)	(5,183)	(10,252)	(10,385)
Common Stock Purchased and Retired	(7,741)	(8,762)	(16,573)	(8,762)
Other	312	(256)	231	(368)
BALANCE AT END OF PERIOD	\$ 140,565	\$ 223,722	\$ 140,565	\$ 223,722
EARNINGS PER SHARE	\$ 0.19	\$ 0.36	\$ 0.34	\$ 0.54
WEIGHTED AVERAGE				
SHARES OUTSTANDING	33,807,036	35,691,862	34,135,825	35,782,506

The accompanying notes are an integral part of these statements.

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<TABLE>

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

<CAPTION>

	Six Months Ended	
	June 30, 1997	1996
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net Income	\$ 11,463	\$ 19,228
Noncash Charges (Credits) to Earnings:		
Depreciation and Amortization	4,719	3,770
Deferred Income Taxes	(2,648)	(1,574)
Other, Net	1,771	2,715
(Increase) Decrease in Assets:		
Trade Receivables	(3,401)	(2,204)
Materials and Supplies	(4,469)	(3,796)
Other Current Assets	564	8,863
Other Non-Current Assets	(3,508)	104
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	6,267	11,062
Unearned Revenue	959	1,656
Long-Term Accrued Liabilities	4,606	5,360
Non-Current Deferred Income Taxes	0	1,109
Net Cash Provided by Operating Activities	16,323	46,293
INVESTING ACTIVITIES		
Capital Expenditures	(5,764)	(6,287)
Net Cash Used for Acquisition of Companies	(1,691)	(5,498)
Net Sale (Purchase) of Marketable Securities	14,783	(17,916)
Net Cash (Used in) Provided by Investing Activities	7,328	(29,701)
FINANCING ACTIVITIES		
Dividends Paid	(10,252)	(10,385)
Common Stock Purchased and Retired	(17,495)	(9,164)
Payments on Capital Lease	(1,264)	(547)
Other	197	153
Net Cash Used in Financing Activities	(28,814)	(19,943)
Net Increase (Decrease) in Cash and Short-Term Investments	(5,163)	(3,351)
Cash and Short-Term Investments at Beginning of Period	12,150	33,623
Cash and Short-Term Investments at End of Period	\$ 6,987	\$ 30,272

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, 1996.

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, 1997 and December 31, 1996, and the results of operations and cash flows for the six months ended June 30, 1997 and 1996.

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, 1997

RESULTS OF OPERATIONS

<TABLE>

SELECTED INDUSTRY SEGMENT DATA

<CAPTION>

	Three Months Ended		Six Months Ended	
	June 30, 1997	1996	June 30, 1997	1996
(In thousands)				
<S>	<C>	<C>	<C>	<C>
REVENUES				
Orkin	\$ 160,117	\$ 159,256	\$ 292,411	\$ 283,689
Rollins Protective	15,250	15,982	31,072	31,312
Other	2,414	2,609	4,692	5,348
	\$ 177,781	\$ 177,847	\$ 328,175	\$ 320,349
OPERATING INCOME				
Orkin	\$ 10,937	\$ 20,678	\$ 19,216	\$ 31,975
Rollins Protective	612	1,428	1,473	2,713
Other	(56)	(433)	(75)	(500)
	\$ 11,493	\$ 21,673	\$ 20,614	\$ 34,188

</TABLE>

General Operating Comments

The second quarter financial results were disappointing. However, the investments made in the Company's core businesses along with the expansion of tested marketing and service programs will favorably affect the Company's future growth and profitability.

Revenues for the second quarter ended June 30, 1997 of \$177.8 million were approximately flat when compared to the same period last year. Operating income of \$11.5 million decreased 47.0% for the quarter, while net income decreased 50.8% to \$6.3 million. Earnings per share were 19 cents versus 36 cents for the second quarter 1996. Year-to-date, net income decreased 40.4% to \$11.5 million and earnings per share were 34 cents versus 54 cents last year.

For the quarter, Orkin's operating income decreased 47.1% to \$10.9 million on a 0.5% revenue increase to \$160.1 million. Operating margins were 6.8%, compared to 13.0% in the prior year. Rollins Protective Services' (RPS) operating income decreased 57.1% to \$0.6 million on a revenue decrease of \$0.7 million or 4.6% to \$15.2 million. RPS' operating margins were 4.0% compared to 8.9% last year.

For the six months ended June 30, 1997, Orkin's revenue increased 3.1% with operating income declining 39.9%. Operating margins were 6.6%, compared to 11.3% for the same period last year. RPS revenue decreased 0.8% while operating income decreased 45.7%. Operating margins declined from 8.7% to 4.7%. Detail segment information follows.

Orkin 1997 Versus 1996

For the quarter, Orkin had increases in pest control revenue and termite renewal revenue. However, these gains were offset by a decrease in termite sales revenue which can be attributed to a cold, wet spring and changes in sales policies. Operating income for the quarter was negatively impacted by the shortfall in termite sales, increased insurance costs, and termite claims.

Rollins Protective Services (RPS) 1997 Versus 1996

RPS' revenue decline for the quarter was due primarily to a strategic diversification to more competitive mid-market products. Earnings were negatively impacted by the shortfall in revenues and increased sales and marketing expenses. However, double-digit growth was experienced in unit sales as well as service and monitoring revenue. The strategies RPS continues to implement along with account acquisitions in existing markets will improve its long-term revenues and profits.

Other 1997 Versus 1996

Other businesses revenue decreased 7.5% for the quarter and 12.3% for the six month period primarily as a result of an 8.8% and 11.6% reduction in the average interest-earning receivables for the quarter and six month period, respectively, within the consumer finance company, Rollins Acceptance Company (RAC). The unfavorable revenue results were offset by lower expenses in RAC for an improvement in operating income of 87.1% and 85.0% for the quarter and six month period, respectively.

FINANCIAL CONDITION

<TABLE>

<CAPTION>

	June 30, 1997	December 31, 1996
(In thousands)		
<S>	<C>	<C>
Cash and		

Short-Term Investments	\$	6,987	\$	12,150
Marketable Securities		70,108		84,785
	\$	77,095	\$	96,935
Working Capital	\$	106,558	\$	126,217
Current Ratio		2.2		2.6
Cash Provided By Operations (Twelve Months Ended)	\$	28,097	\$	58,067

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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 future expansion.

Interest income decreased 14.1% for the six months ended June 30, 1997, due to the decrease in average funds invested in short-term investments and marketable securities and realized losses.

Net trade receivables increased \$3.6 million or 4.6% at June 30, 1997 compared with December 31, 1996. Trade receivables include installment receivables which are due subsequent to one year from the balance sheet date. These amounts were approximately \$18.6 million and \$19.0 million at June 30, 1997 and December 31, 1996, respectively.

During the six month period, the Company invested \$7.5 million in capital expenditures and acquisitions. Also, \$10.3 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.

During the quarter, the Company repurchased 433,300 shares of its common stock, confirming management's and the Board of Directors' confidence in the Company's future. The Company has repurchased a total of 922,600 shares in 1997. Furthermore, the Board of Directors authorized the purchase by the Company of up to an additional 2,000,000 shares of its common stock. The purchases will be made from time to time using funds already on hand.

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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 22, 1997. The results of that meeting were disclosed in the Company's Form 10-Q for the first quarter 1997.

ITEM 5.OTHER INFORMATION

In July 1997, the Landscaping and Lawn Care divisions of Orkin Exterminating Company, Inc., a wholly-owned subsidiary, were sold to Tru-Green L.P. The sale of these divisions represents the Company's strategic decision to focus its resources on its core businesses.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- (1) (i) The Company's Certificate of Incorporation is incorporated herein by reference to Exhibit (3) (a) as filed with its Form 10-K for the year ended December 31, 1992.
- (ii) By-laws of Rollins, Inc. are incorporated herein by reference to Exhibit 3(b) as filed with its Form 10-K for the year ended December 31, 1993.

(2) 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 14, 1997

Rollins, Inc.
(Registrant)

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

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

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