

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2003.

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 number 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)

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

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 whether the registrant is an accelerated filer (as defined in rule 12b-2 of the Exchange Act).

Yes No

Rollins, Inc. had 45,080,317 shares of its \$1 Par Value Common Stock outstanding as of April 30, 2003.

ROLLINS, INC. AND SUBSIDIARIES

INDEX

<TABLE>
<CAPTION>
<S>
PART I

<C> <C>
FINANCIAL INFORMATION

<C>
Page No.

Item 1.	Financial Statements.	
	Consolidated Statements of Financial Position as of March 31, 2003 and December 31, 2002	2
	Consolidated Statements of Income for the Three Months Ended March 31, 2003 and 2002	3
	Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2003 and 2002	4
	Notes to Consolidated Financial Statements	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.	8

Item 3.	Quantitative and Qualitative Disclosures About Market Risk.	12
Item 4.	Controls and Procedures.	12
PART II OTHER INFORMATION		
Item 1.	Legal Proceedings.	13
Item 6.	Exhibits and Reports on Form 8-K.	13
SIGNATURES		14
CERTIFICATIONS		15 - 16
</TABLE>		
PART I FINANCIAL INFORMATION		
Item 1. Financial Statements.		

ROLLINS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands except share and per share data)

<TABLE>
<CAPTION>

<u><S></u>	<u><C></u>	(Unaudited) March 31, 2003	December 31, 2002
<u><S></u>	<u><C></u>	<u><C></u>	<u><C></u>
ASSETS			
Cash and Short-Term Investments		\$ 54,351	\$ 38,315
Trade Receivables, Net of Allowance for Doubtful Accounts of \$4,645 and \$6,040, respectively		48,204	47,740
Materials and Supplies		11,188	10,662
Deferred Income Taxes		20,088	20,035
Other Current Assets		11,533	9,470
	Current Assets	145,364	126,222
Equipment and Property, Net		36,338	38,880
Goodwill		72,392	72,392
Customer Contracts and Other Intangible Assets		34,289	35,507
Deferred Income Taxes		43,345	44,406
	Total Assets	\$ 331,728	\$ 317,407
LIABILITIES			
Accounts Payable		\$ 13,960	\$ 12,138
Accrued Insurance		11,075	11,740
Accrued Payroll		23,956	28,623
Unearned Revenue		46,038	43,049
Accrual for Termite Contracts		19,000	19,000
Other Current Liabilities		19,858	15,312
	Current Liabilities	133,887	129,862
Accrued Insurance, Less Current Portion		30,896	30,222
Accrual for Termite Contracts, Less Current Portion		28,443	27,446
Accrued Pension		10,769	10,769
Long-Term Accrued Liabilities		28,366	28,418
	Total Liabilities	232,361	226,717
Commitments and Contingencies			
STOCKHOLDERS' EQUITY			
Common Stock, par value \$1 per share; 99,500,000 shares authorized; 45,133,845 and 44,799,368 shares issued and outstanding, respectively		45,134	44,799
Accumulated Other Comprehensive Income (Loss)		(17,003)	(16,947)
Retained Earnings		71,236	62,838
	Total Stockholders' Equity	99,367	90,690
	Total Liabilities and Stockholders' Equity	\$ 331,728	\$ 317,407

</TABLE>

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

ROLLINS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands except share and per share data)
(Unaudited)

<TABLE>
<CAPTION>

		Three Months Ended March 31,	
		2003	2002
<S>	<C>	<C>	<C>
REVENUES	Customer Services	\$ 155,122	\$ 153,302
COSTS AND EXPENSES			
	Cost of Services Provided	84,078	84,022
	Depreciation and Amortization	5,156	5,427
	Sales, General & Administrative	54,222	55,837
	Interest (Income) Expense	(66)	49
		143,390	145,335
INCOME BEFORE INCOME TAXES		11,732	7,967
PROVISION FOR INCOME TAXES			
	Current	3,463	1,804
	Deferred	995	1,223
		4,458	3,027
NET INCOME		\$ 7,274	\$ 4,940
EARNINGS PER SHARE - BASIC AND DILUTED			
	Net Income	\$ 0.16	\$ 0.11
	Average Shares Outstanding---Basic	44,912,015	45,195,273
	Average Shares Outstanding---Diluted	46,110,466	45,488,982
DIVIDENDS PAID PER SHARE		\$ 0.0500	\$ 0.0333

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

3

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

<TABLE>
<CAPTION>

		Three Months Ended March 31,	
		2003	2002
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES			
4,940	Net Income	\$ 7,274	\$ 4,940
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
5,427	Depreciation and Amortization	5,156	5,427
1,256	Provision for Deferred Income Taxes	1,009	1,256
167	Other, Net	35	167
(Increase) Decrease in Assets:			
693	Trade Receivables	(436)	693
284	Materials and Supplies	(526)	284
127	Other Current Assets	(2,063)	127

83	Other Non-Current Assets	44	
	Increase (Decrease) in Liabilities:		
210	Accounts Payable and Accrued Expenses	3,718	
2,386	Unearned Revenue	2,989	
191	Accrued Insurance	9	
537	Accrual for Termite Contracts	997	
1,978	Long-Term Accrued Liabilities	(52)	
		-----	-----
18,279	Net Cash Provided by Operating Activities	18,154	
		-----	-----
	INVESTING ACTIVITIES		
(2,725)	Purchases of Equipment and Property	(961)	
(545)	Net Cash Used for Acquisition of Companies	(385)	
		-----	-----
(3,270)	Net Cash Used in Investing Activities	(1,346)	
		-----	-----
	FINANCING ACTIVITIES		
(1,507)	Dividends Paid	(2,247)	
(256)	Payments on Capital Leases	---	
4	Other	1,475	
		-----	-----
(1,759)	Net Cash Used in Financing Activities	(772)	
		-----	-----
13,250	Net Increase in Cash and Short-Term Investments	16,036	
8,650	Cash and Short-Term Investments At Beginning of Period	38,315	
		-----	-----
21,900	Cash and Short-Term Investments At End of Period	\$ 54,351	\$
		=====	

</TABLE>

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

4

ROLLINS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. BASIS OF PREPARATION

The consolidated financial statements included herein have been prepared by Rollins, Inc. (the "Company"), 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 accounting principles generally accepted in the United States 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 Company's annual report on Form 10-K for the year ended December 31, 2002.

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.

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 Company as of March 31, 2003 and December 31, 2002, and the results of operations for the three months ended March 31, 2003 and 2002 and cash flows for the three months ended March 31, 2003 and 2002. Operating results for the three months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ended December 31, 2003.

Comprehensive income includes amounts subject to foreign currency translation (See Note 5). For the three months ended March 31, 2003 and 2002, comprehensive income is not materially different from net income.

The Board of Directors, at its quarterly meeting on January 28, 2003, authorized a three-for-two stock split by the issuance on March 10, 2003 of one additional common share for each two common shares held of record on February 10, 2003. Accordingly, the par value for additional shares issued was adjusted to common stock, and fractional shares resulting from the stock split were settled in cash. All share and per share data appearing throughout this Form 10-Q have been retroactively adjusted for this stock split.

In November 2002, the Emerging Issues Task Force issued EITF 00-21, Revenue Arrangements with Multiple Deliverables, which is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. This EITF addresses how to account for arrangements that may involve the delivery or performance of multiple products, services, and/or rights to use assets. The Company's termite baiting business involves multiple deliverables, consisting of an initial installation and subsequent monitoring inspections. Since the inception of its termite baiting program in 1999, the Company has consistently deferred a portion of the selling price to be recognized over the first year of the contracts based on a fair value assessment of the service provided. Management is currently analyzing the impact of adopting this EITF.

Certain amounts for prior periods have been reclassified to conform with current period consolidated financial statement presentation. Such reclassifications had no effect on previously reported net income.

The business of the Company is affected by the seasonal nature of the Company's pest and termite control services as evidenced by the following chart.

	Total Net Revenues		
	2003	2002	2001
First Quarter	\$ 155,122	\$ 153,302	\$ 150,280
Second Quarter	N/A	184,189	180,731
Third Quarter	N/A	174,063	169,223
Fourth Quarter	N/A	153,871	149,691

NOTE 2. EARNINGS PER SHARE

5

In accordance with SFAS No. 128, Earnings Per Share ("EPS"), the Company computes basic Earnings Per Share ("EPS") 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 periods reported. Basic and diluted EPS have been restated for the three-for-two stock split for all periods presented (See Note 1). A reconciliation of the number of weighted-average shares used in computing basic and diluted EPS is as follows:

<TABLE>
<CAPTION>

(In thousands except per share data and per share amounts)	Three Months Ended March 31,	
	2003	2002
<S>	<C>	<C>
Basic and diluted earnings available to stockholders (numerator):	\$7,274	\$4,940
Shares (denominator):		
Weighted-average shares outstanding	44,912	45,195

Effect of Dilutive securities:		
Employee Stock Options	1,198	294
	-----	-----
Adjusted Weighted-Average Shares and Assumed Exercises	46,110	45,489
Per share amounts:		
Basic earnings per common share	\$0.16	\$0.11
Diluted earnings per common share	\$0.16	\$0.11

</TABLE>

NOTE 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. Orkin 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.

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 Court ruled in early April 2002, certifying the class action lawsuit against Orkin. Orkin has appealed this ruling to the Florida Second District Court of Appeals. Moreover, Orkin believes this case to be without merit and intends to defend itself vigorously 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.

Orkin is involved in certain environmental matters primarily arising in the normal course of business. In the opinion of Management, the Company's liability under any of these matters would not materially affect its financial condition or results of operations.

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

NOTE 4. STOCKHOLDERS' EQUITY

6

For the first quarter ended March 31, 2003, approximately 132,500 shares of common stock were issued upon exercise of stock options by employees. The Company accounts for its employee stock options under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

(In thousands, except per share data)	Three Months Ended	
	March 31,	
	2003	2002
	-----	-----
Net income, as reported	\$7,274	\$4,940
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(483)	(463)
	-----	-----
Pro forma net income	\$6,791	\$4,477

Earnings per share:		
Basic-as reported	\$0.16	\$0.11
Basic-pro forma	\$0.15	\$0.10
Diluted-as reported	\$0.16	\$0.11
Diluted-pro forma	\$0.15	\$0.10

NOTE 5. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) consists of the following (in thousands):

<TABLE>
<CAPTION>

	Minimum Pension Liability	Foreign Currency Translation	Total
<S>	<C>	<C>	<C>
Balance at December 31, 2001	\$ (4,047)	\$ (775)	\$ (4,822)
Change during first three months of 2002:			
Before-tax amount	---	(6)	(6)
Tax benefit	---	2	2
	---	(4)	(4)
Balance at March 31, 2002	\$ (4,047)	\$ (779)	\$ (4,826)
Balance at December 31, 2002	\$ (16,182)	\$ (765)	\$ (16,947)
Change during 2003:			
Before-tax amount	---	(86)	(86)
Tax benefit	---	30	30
	---	(56)	(56)
Balance at March 31, 2003	\$ (16,182)	\$ (821)	\$ (17,003)

</TABLE>

NOTE 6. RELATED PARTY TRANSACTIONS

The following related party transactions have been described in greater detail in the Company's Form 10-K for the year ended December 31, 2002.

At the Company's January 28, 2003 Board of Directors' meeting, the independent directors of the Board of Directors and the Audit Committee approved four related party transactions. The Audit Committee and the independent directors were furnished with full disclosure of the transactions, including independent appraisals, and determined that the terms of each transaction were reasonable and fair to the Company and will not have a material effect on the Company's financial position, results of operations or liquidity. The first approval was the ratification of the current arrangement between Rollins, Inc. and LOR, Inc., a company controlled by R. Randall Rollins, Chairman of the Board of Rollins, Inc., and Gary W. Rollins, Chief Executive Officer, President and Chief Operating Officer of Rollins, Inc., related to sharing the aviation hangar located at the Dekalb-Peachtree Airport, as well as the usage of the Jetstar II, owned by Rollins, Inc., and Gulfstream III, owned by LOR, Inc. The second approval was the ratification of the arrangement concerning the rental

7

of office space to LOR, Inc. located at 2170 Piedmont Road N.E., Atlanta, Georgia 30324. The third approval was the ratification of the arrangement concerning the rental of office space to LOR, Inc. located at 710 Lakeshore Circle, Atlanta, Georgia 30324. The fourth approval was the ratification of the current arrangement related to the payment of fees for the services of a programmer/analyst that was employed by LOR, Inc. but has become employed by Rollins, Inc. in the first quarter of 2003. It is the opinion of Management that these related party transactions were reasonable and fair to the Company and will not have a material effect on the Company's financial position, results of operations or liquidity.

Employees of Rollins, Inc. confer with employees of LOR, Inc. and RRR Associates, a company controlled by R. Randall Rollins, and vice versa. No fees are charged for these services because, in the opinion of Management, the activity is mutually beneficial and offsetting.

NOTE 7. ACCRUAL FOR TERMITE CONTRACTS

During the first quarter of 2003, the Company adopted the accounting

provisions of FASB Interpretation No. 45 ("FIN 45"), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Direct Guarantees of Indebtedness of Others, which requires that the fair value of guarantees issued after December 31, 2002 be recorded as a liability, with the offsetting entry being recorded based on the circumstances in which the guarantee was issued. FIN 45 further states that the liability is typically reduced over the term of the guarantee. The adoption had no impact on the Company's financial position, results of operations or liquidity.

The Company maintains an accrual for termite contracts representing the estimated costs of reapplications, repair claims and associated labor, chemicals, and other costs relative to termite control services performed prior to the balance sheet date as discussed in further detail in Item 2. under Critical Accounting Policies. A reconciliation of the beginning and ending balances of the accrual for termite contracts is as follows:

(In thousands)	
Beginning Balance as of December 31, 2002	\$46,446
Current Year Provision	5,525
Settlements, Claims and Expenditures Made During the Period	(4,528)
Ending Balance as of March 31, 2003	\$47,443

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company's continued emphasis on customer retention, along with building recurring revenues, resulted in revenue growth of 1.2% in the first quarter of 2003 despite a sluggish economy and harsh winter in parts of the U.S. The financial results for the first quarter 2003 were positively impacted by the continued benefit of our recent service initiatives, which included every-other-month residential pest control service, AcuridSM premium commercial pest control services, and termite directed liquid and baiting treatment.

For the first quarter of 2003, the Company had net income of \$7.3 million compared to net income of \$4.9 million in the first quarter of 2002, which represents a 47.2% increase. The overall improvement for the year in profit margins is largely a result of improved Cost of Services Provided and Sales, General & Administrative as a percentage of revenues.

For the first quarter of 2003, the Company generated a net increase in cash of \$16.0 million compared to \$13.3 million in the first quarter of 2002. The Company had Cash and Short-Term Investments of \$54.4 million at March 31, 2003, compared to \$38.3 million at December 31, 2002 and \$21.9 million at March 31, 2002.

Results of Operations

Revenues for the quarter ended March 31, 2003 increased to \$155.1 million, an increase of \$1.8 million or 1.2% from last year's first quarter revenues of \$153.3 million. The revenue increase was mainly attributable to a modest increase in revenues from residential pest control service. The growth in pest control revenues reflects a net gain in the pest control customer base, a successful 2002 price increase campaign, as well as higher average selling prices for new customers. Every-other-month service, our primary residential pest control service offering, continues to grow in importance, comprising over 50% of our residential pest control customer base at March 31, 2003. Our commercial revenues were flat, mainly as a result of a slight decrease in customer base and sales, offset by a successful price increase campaign for existing customers in 2002. Termite revenues decreased in the first quarter of 2003 reflecting a harsher winter and spring than previous years in parts of the U.S. The Company experienced an improvement in recurring termite revenues mainly from enhanced renewal retention and higher bait monitoring services. Despite the decrease in termite sales dollars, the Company managed to achieve a slight improvement

8

in average selling prices. The Company's foreign operations made up less than 6.0% of the Company's total revenues in the first quarter 2003 and 2002.

The business of the Company is affected by the seasonal nature of the Company's pest and termite control services as evidenced by the following chart.

	Total Net Revenues		
	2003	2002	2001
First Quarter	\$ 155,122	\$ 153,302	\$ 150,280

Second Quarter	N/A	184,189	180,731
Third Quarter	N/A	174,063	169,223
Fourth Quarter	N/A	153,871	149,691

Cost of Services Provided for the quarter ended March 31, 2003 increased \$56,000 or 0.1%, while margins improved by 0.6 percentage points, representing 54.2% of revenues for the first quarter 2003 compared to 54.8% of revenues in the prior year first quarter. The slight increase for the quarter ended March 31, 2003 can be mainly attributed to higher fleet charges partially offset by reductions in materials and supplies and administrative salaries. Pest control and termite technician productivity and employee retention continued to improve. It is management's opinion that better employee retention helps to drive better customer retention.

Sales, General and Administrative for the quarter ended March 31, 2003 decreased \$1.6 million or 2.9% and, as a percentage of revenues, improved by 1.4 margin points for the first quarter, averaging 35.0% of total revenues compared to 36.4% for the prior year quarter. Improvement for the year was mainly attributed to reduced sales salaries due to reduction of the sales costs.

Depreciation and Amortization expenses for the quarter ended March 31, 2003 were approximately \$271,000 or 5.0% lower than the prior year quarter. The decrease was mainly due to lower capital spending and certain technology assets becoming fully depreciated in the last twelve months.

The Company's tax provision of \$4.5 million for the first quarter ended March 31, 2003 reflects increased pre-tax income over the prior year period. The effective tax rate of 38% was consistent between periods presented.

Related Party Transactions

The following related party transactions have been described in greater detail in the Company's Form 10-K for the year ended December 31, 2002.

At the Company's January 28, 2003 Board of Directors' meeting, the independent directors of the Board of Directors and the Audit Committee approved four related party transactions. The Audit Committee and the independent directors were furnished with full disclosure of the transactions, including independent appraisals, and determined that the terms of each transaction were reasonable and fair to the Company and will not have a material effect on the Company's financial position, results of operations or liquidity. The first approval was the ratification of the current arrangement between Rollins, Inc. and LOR, Inc., a company controlled by R. Randall Rollins, Chairman of the Board of Rollins, Inc., and Gary W. Rollins, Chief Executive Officer, President and Chief Operating Officer of Rollins, Inc., related to sharing the aviation hangar located at the Dekalb-Peachtree Airport, as well as the usage of the Jetstar II, owned by Rollins, Inc., and Gulfstream III, owned by LOR, Inc. The second approval was the ratification of the arrangement concerning the rental of office space to LOR, Inc. located at 2170 Piedmont Road N.E., Atlanta, Georgia 30324. The third approval was the ratification of the arrangement concerning the rental of office space to LOR, Inc. located at 710 Lakeshore Circle, Atlanta, Georgia 30324. The fourth approval was the ratification of the current arrangement related to the payment of fees for the services of a programmer/analyst that was employed by LOR, Inc. but has become employed by Rollins, Inc. in the first quarter of 2003. It is the opinion of Management that these related party transactions were reasonable and fair to the Company and will not have a material effect on the Company's financial position, results of operations or liquidity.

Employees of Rollins, Inc. confer with employees of LOR, Inc. and RRR Associates, a company controlled by R. Randall Rollins, and vice versa. No fees are charged for these services because, in the opinion of Management, the activity is mutually beneficial and offsetting.

Critical Accounting Policies

We view critical accounting policies to be those policies that are very important to the portrayal of our financial condition and results of operations, and that 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 reapplications, repair claims and associated labor, chemicals, and other costs relative to termite control services performed prior to the balance sheet date. The Company contracts an independent third party actuary on an annual basis to provide the Company a range of estimated liability based upon historical claims information. The actuarial study is a major consideration in

determining the accrual balance, along with Management's knowledge of changes in business practices, contract changes, ongoing claims and termite remediation trends. The reserve is established based on all these factors. Management makes judgments utilizing these operational factors but recognizes that they are inherently subjective due to the difficulty in predicting 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 in recent years due to changes in the Company's business practices. However, it is not possible to accurately predict future significant claims. Positive 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 expanded 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 on an annual basis to provide the Company a range of estimated liability based upon historical claims information. The actuarial study is a major consideration, along with Management's knowledge of changes in business practice and existing claims compared to current balances. The reserve is established based on all these factors. 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 accurately predict future significant claims. Initiatives that have been implemented include pre-employment screening and an annual Motor Vehicle report required on all its drivers, utilization of a Global Positioning System that has been fully deployed to our Company vehicles, post-offer physicals for new employees, and pre-hire, random and post-accident drug testing. The Company has improved the time required to report a claim by utilizing a "Red Alert" program that provides serious accident assessment twenty four hours a day and seven days a week and has instituted a modified duty program that enables employees to go back to work on a limited-duty basis.

Revenue Recognition - The Company's revenue recognition policies are designed to recognize revenues at the time services are performed. For certain revenue types, because of the timing of billing and the receipt of cash versus the timing of performing services, certain accounting estimates are utilized. Residential and commercial pest control services are primarily recurring in nature, while certain types of commercial customers may receive multiple treatments within a given month. In general, pest control customers sign an initial one year contract, and revenues are recognized at the time services are performed. For pest control customers, the Company offers a discount for those customers who prepay for a full year of services. The Company defers recognition of these advance payments and recognizes the revenue as the services are rendered. The Company classifies the discounts related to the advance payments as a reduction in revenues. Termite baiting revenues are recognized when the initial services are performed at the inception of a new contract, although a portion of every termite baiting sale is deferred. The amount deferred is an estimate of the value of monitoring services to be rendered after the initial service. The amount deferred is then recognized as income on a straight-line basis over the remaining contract term, which results in recognition of revenue in a pattern that approximates the timing of performing monitoring visits. Baiting renewals are deferred and recognized over the annual contract period on a straight-line basis that approximates the timing of performing the required monitoring visits. Traditional termite treatments are recognized as revenue at the time services are performed. Traditional termite contract renewals are recognized as revenues at the renewal date in order to match the revenue with the approximate timing of the corresponding service provided.

Liquidity and Capital Resources

The Company believes its current cash balances, future cash flows from operating activities and available borrowings under its \$40.0 million credit facility will be sufficient to finance its current operations and obligations, and fund expansion of the business for the foreseeable future. The Company's operations generated cash of \$18.2 million for the quarter ended March 31, 2003, compared with cash provided by operating activities of \$18.3 million for the same period in 2002. The 2003 results were achieved primarily from favorable changes in working capital related primarily to higher income from operations, the timing of advanced payments from customers which produced an increase in unearned revenue, and the Company's ability to reduce its investment in accounts receivable and inventories despite higher revenues.

The Company invested approximately \$961,000 in capital expenditures during the quarter ended March 31, 2003, and expects to invest between \$7.0 million and \$9.0 million for the remainder of 2003. Capital expenditures for the quarter consisted primarily of the purchase of equipment replacements and upgrades and improvements to the Company's management information systems. During the quarter, the Company made acquisitions totaling \$385,000 compared to \$545,000 during 2002. The Company currently does not have plans to aggressively seek new acquisitions but will give consideration to any unusually attractive acquisition opportunities presented. A total of \$2.2 million was paid in cash dividends (\$0.05 per share) during the quarter. At the January 28, 2003 Board of Directors' Meeting, the Board approved a 50% increase in the dividend, from \$0.033 to \$0.05 per share on the split number of shares, as well as a three-for-two stock split to holders of record on February 10, 2003 payable March 10, 2003. The capital expenditures, acquisitions and cash dividends were funded entirely through existing cash balances and operating activities. The Company maintains a \$40.0 million credit facility with a commercial bank, of which no borrowings were outstanding as of March 31, 2003 or May 2, 2003. However, the Company does maintain approximately \$25.0 million in Letters of Credit.

Orkin, one of the Company's subsidiaries, is aggressively defending a class action lawsuit filed in Hillsborough County, Tampa, Florida. In early April, 2002, the Circuit Court of Hillsborough County certified the class action status of Butland et al. v. Orkin Exterminating Company, Inc. et al. Orkin is also a defendant in Helen Cutler and Mary Lewin v. Orkin Exterminating Company, Inc. et al pending in the District Court of Houston County, Alabama. For further discussion, see Note 3 to the accompanying financial statements.

In late April of 2002, the Company initiated a restructuring and re-engineering of the Home Office at its corporate headquarters in Atlanta. As part of this reorganization, positions were eliminated and a new organization was implemented to provide more effective processes and support to the field. In 2002, the Company incurred \$824,000 in costs related to the restructuring and does not anticipate additional costs in 2003. It is the opinion of Management that the reorganization will not have a material effect on the Company's financial position, results of operations or liquidity in the near term, though ultimately improving the profitability and cash flows of the Company.

The Company made contributions of \$20.0 million to the defined benefit retirement plan (the "Plan") during 2002 as a result of the Plan being underfunded. The Company believes that it will make contributions in the amount of approximately \$5.0 to \$10.0 million in 2003. It is the opinion of Management that additional Plan contributions will not have a material effect on the Company's financial position, results of operations or liquidity.

Impact of Recent Accounting Pronouncements

In November 2002, the Emerging Issues Task Force issued EITF 00-21, Revenue Arrangements with Multiple Deliverables, which is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. This EITF addresses how to account for arrangements that may involve the delivery or performance of multiple products, services, and/or rights to use assets. The Company's termite baiting business involves multiple deliverables, consisting of an initial installation and subsequent monitoring inspections. Since the inception of its termite baiting program in 1999, the Company has consistently deferred a portion of the selling price to be recognized over the first year of the contracts based on a fair value assessment of the service provided. Management is currently analyzing the impact of adopting this EITF.

Forward-Looking Statements

This Quarterly 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 potential future pension plan contributions, related party transactions, 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 adequacy of the Company's resources to fund operations and obligations; the impact of the corporate restructuring on liquidity and results of operations; and the Company's projected 2003 capital expenditures. The actual results of the Company could differ materially from those indicated by the forward-looking statements because of various risks, timing 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; that the cost reduction benefits of the corporate restructuring may not be as great as expected or eliminated positions may have to be reinstated in the future; potential increases in labor costs; and changes in various government laws and regulations, including environmental regulations and additional risks discussed in the Company's Form 10-K for 2002. 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.

11

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As of March 31, 2003, the Company maintained an investment portfolio subject to short-term interest rate risk exposure. The Company has been affected by the impact of lower interest rates on interest income from its short-term investments. The Company is also subject to interest rate risk exposure through borrowings on its \$40.0 million credit facility. Due to the absence of such borrowings as of March 31, 2003 and as currently anticipated for 2003, this risk is not expected to have a material effect upon the Company's results of operations or financial position going forward. The Company is also exposed to market risks arising from changes in foreign exchange rates. The Company believes that this foreign exchange rate risk will not have a material effect upon the Company's results of operations or financial position going forward.

Item 4. Controls and Procedures.

Under the supervision and with the participation of our Management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as defined in rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, within 90 days of the filing date of this report (the "Evaluation Date"). Based on this evaluation, our principal executive officer and principal financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the material information required to be included in our Securities and Exchange Commission ("SEC") reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to Rollins, Inc., including our consolidated subsidiaries, and was made known to them by others within those entities, particularly during the period when this report was being prepared.

In addition, there were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the Evaluation Date. We have not identified any significant deficiency or material weaknesses in our internal controls, and therefore there were no corrective actions taken.

12

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 4 to Part I, Item 1 for discussion of certain litigation.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

(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. is incorporated herein by reference to Exhibit (3) (ii) as filed (ii) 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.

(iv) Amendment to the By-laws of Rollins, Inc. is incorporated herein by reference to Exhibit (3) (iv) as filed with its Form 10-K for the year ended December 31, 2002.

(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.

(99.1) Certification of Periodic Financial Reports.

(b) Reports on Form 8-K.

On January 31, 2003, the Company furnished a report on Form 8-K, which reported under Item 9 that on January 28, 2003, the Company reported earnings for the fourth quarter and year ended December 31, 2002.

On January 31, 2003, the Company furnished a report on Form 8-K,

which reported under Item 9 that on January 28, 2003, the Company announced that the Board of Directors has approved a three-for-two stock split of the Company's common shares and a 50% increase in the cash dividend.

On February 28, 2003, the Company furnished a report on Form 8-K, which reported under Item 9 that Atlanta-based Orkin Pest Control was recognized by Training magazine as part of its prestigious Top 100 list.

13
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.

ROLLINS, INC.
(Registrant)

Date: May 2, 2003

By: /s/ Gary W. Rollins

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

Date: May 2, 2003

By: /s/ Harry J. Cynkus

Harry J. Cynkus
Chief Financial Officer and
Treasurer
(Principal Financial and Accounting
Officer)

14
Certifications

I, Gary W. Rollins, President and Chief Executive Officer of Rollins, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rollins, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 2, 2003

By: /s/ Gary W. Rollins

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

15

I, Harry J. Cynkus, Chief Financial Officer of Rollins, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rollins, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 2, 2003

By: /s/ Harry J. Cynkus

Harry J. Cynkus
Chief Financial Officer and Treasurer
(Principal Financial and Accounting
Officer)

CERTIFICATION OF PERIODIC FINANCIAL REPORTS PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

To the best of their knowledge the undersigned hereby certify that the Quarterly Report on Form 10-Q of Rollins, Inc. for the quarterly period ended March 31, 2003, fully complies with the requirements of Section 13(a) of The Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of Rollins, Inc.

Date: May 2, 2003

/s/ Gary W. Rollins

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

Date: May 2, 2003

/s/ Harry J. Cynkus

Harry J. Cynkus
Chief Financial Officer and Treasurer