

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 June 30, 1998.

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 30324
(Address of principal executive offices) (Zip Code)

Telephone Number -- (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

At June 30, 1998, there were 32,629,551 shares of Common Stock \$1 Par Value, outstanding.

ROLLINS, INC. AND SUBSIDIARIES

INDEX

	Page No.
Part I Financial Information	
Statements of Financial Position - June 30, 1998 and December 31, 1997	1
Statements of Income and Earnings Retained - Three months and six months ended June 30, 1998 and 1997	2
Statements of Cash Flows - Six months ended June 30, 1998 and 1997	3
Notes to Financial Statements	4-5
Management's Discussion and Analysis of Financial Condition and Results of Operations	6-8
Part II Other Information	9
<TABLE>	

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

<CAPTION>

(Unaudited)
June 30, December 31,
1998 1997

<S>

<C>

<C>

ASSETS			
Cash and Short-Term Investments	\$	40,756	\$ 125,842
Marketable Securities		124,385	75,037
Trade Receivables, Net		47,916	49,166
Materials and Supplies		16,252	15,010
Deferred Income Taxes		27,347	24,826
Other Current Assets		12,296	11,737
Current Assets		268,952	301,618
Equipment and Property, Net		35,963	34,639
Intangible Assets		39,529	39,383
Deferred Income Taxes		44,601	49,072
Other Assets		7,533	7,968
Total Assets	\$	396,578	\$ 432,680
LIABILITIES			
Capital Lease Obligations	\$	3,236	\$ 3,138
Accounts Payable		17,940	25,420
Accrued Insurance Expenses		18,254	21,225
Accrued Payroll		18,988	17,913
Unearned Revenue		16,643	13,831
Other Expenses		59,366	49,191
Current Liabilities		134,427	130,718
Capital Lease Obligations		7,595	9,239
Long-Term Accrued Liabilities		127,198	147,079
Total Liabilities		269,220	287,036
Commitments and Contingencies			
STOCKHOLDERS' EQUITY			
Common Stock, par value \$1 per share; authorized			
99,500,000 shares; 32,629,551 shares issued in 1998;			
33,279,281 shares issued in 1997		32,630	33,279
Earnings Retained		94,728	112,365
Total Stockholders' Equity		127,358	145,644
Total Liabilities and Stockholders' Equity	\$	396,578	\$ 432,680

The accompanying notes are an integral part of these statements.

</TABLE>

1 of 10

<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,	
	1998	1997	1998	1997
	<C>	<C>	<C>	<C>
<S>				
REVENUES				
Customer Services	\$ 155,050	\$ 154,371	\$ 278,015	\$ 281,322
COSTS AND EXPENSES				
Cost of Services Provided	86,723	88,555	163,632	160,872
Depreciation and Amortization	2,169	2,015	4,261	3,924
Sales, General & Administrative Expenses	57,434	54,943	106,865	100,667
Interest Income	(2,425)	(1,172)	(5,047)	(2,389)
	143,901	144,341	269,711	263,074
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	11,149	10,030	8,304	18,248
PROVISION (CREDIT) FOR INCOME TAXES				
Current	2,006	5,464	(1,305)	9,582
Deferred	2,230	(1,653)	4,460	(2,648)
	4,236	3,811	3,155	6,934
INCOME FROM CONTINUING OPERATIONS	6,913	6,219	5,149	11,314
DISCONTINUED OPERATIONS				
Operating income, less income tax expense of \$61 and \$91, respectively	-	100	-	149

NET INCOME		6,913	6,319	5,149	11,463
EARNINGS RETAINED					
Balance at Beginning of Period		104,030	146,734	112,365	155,696
Cash Dividends		(4,969)	(5,059)	(9,957)	(10,252)
Common Stock Purchased and Retired		(11,280)	(7,741)	(12,876)	(16,573)
Other		34	312	47	231
BALANCE AT END OF PERIOD	\$	94,728	140,565	94,728	140,565
EARNINGS PER SHARE					
Continuing operations	\$	0.21	0.19	0.16	0.34
Discontinued operations		-	-	-	-
EARNINGS PER SHARE - BASIC AND DILUTED	\$	0.21	0.19	0.16	0.34
WEIGHTED SHARES OUTSTANDING - BASIC		33,078,672	33,807,036	33,173,701	34,135,825
WEIGHTED SHARES OUTSTANDING - DILUTED		33,109,672	33,815,036	33,197,701	34,143,325

The accompanying notes are an integral part of these statements.

</TABLE>

2 of 10

<TABLE>

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

<CAPTION>

	Six Months Ended	
	June 30,	
	1998	1997
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net Income	\$ 5,149	\$ 11,463
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	4,261	3,924
Provision (Credit) for Deferred Taxes	4,460	(2,648)
Discontinued Operations, Net of Taxes		(149)
Other, Net	646	1,488
(Increase) Decrease in Assets:		
Trade Receivables	1,266	(3,424)
Materials and Supplies	(1,229)	(4,330)
Other Current Assets	(3,553)	1,090
Other Non-Current Assets	1,258	(3,508)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	665	5,182
Unearned Revenue	2,812	504
Long-Term Accrued Liabilities	(19,881)	5,280
Net Cash Provided by (Used in) Operating Activities	(4,146)	14,872
INVESTING ACTIVITIES		
Purchases of Equipment and Property	(5,756)	(4,930)
Net Cash Used for Acquisition of Companies	(870)	(1,056)
Marketable Securities, Net	(49,306)	14,783
Net Cash Provided by (Used in) Investing Activities	(55,932)	8,797
FINANCING ACTIVITIES		
Dividends Paid	(9,957)	(10,252)
Common Stock Purchased and Retired	(13,545)	(17,495)
Payments on Capital Lease	(1,546)	(1,264)
Other	40	197
Net Cash Used in Financing Activities	(25,008)	(28,814)
Net Cash Provided by (Used in) Discontinued Operations	-	(18)
Net Increase (Decrease) in Cash and Short-Term Investments	(85,086)	(5,163)
Cash and Short-Term Investments at Beginning of Period	125,842	12,150
Cash and Short-Term Investments at End of Period	\$ 40,756	\$ 6,987

The accompanying notes are an integral part of these statements.
</TABLE>

3 of 10
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, 1997.

Prior year amounts have been restated to reflect the 1997 divestitures of the Company's Rollins Protective Services division and its Lawn Care and Landscaping businesses.

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, 1998 and December 31, 1997, and the results of operations and cash flows for the six months ended June 30, 1998 and 1997. Operating results for the quarter ended June 30, 1998 or the six months ended June 30, 1998 are not necessarily indicative of the results that may be expected for the year ended December 31, 1998.

NOTE 2. PROVISION FOR INCOME TAXES

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

NOTE 3. EARNINGS PER SHARE

Pursuant to the provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share," the number of weighted average shares used in computing basic and diluted earnings per share (EPS) are as follows (in thousands):

	Second Quarter Ended June 30		Six Months Ended June 30	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Basic EPS	33,078,672	33,807,036	33,173,701	34,135,825
Effect of dilutive stock options	31,000	8,000	24,000	7,500
Diluted EPS	33,109,672	33,815,036	33,197,701	34,143,325

</TABLE>
No adjustments to net income available to common stockholders were required during the periods presented.

4 of 10

NOTE 4. NEW ACCOUNTING PRONOUNCEMENTS

Effective January, 1998, the Company adopted Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income," which establishes standards for the presentation and disclosure of other comprehensive income. For the second quarter and six months ended June 30, 1998, comprehensive income is not materially different from net income and, as a result, the impact is not reflected in the attached Statements of Income and Earnings Retained or Statements of Financial Position.

Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits," will be adopted effective with the year-end financial statements dated December 31, 1998.

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, 1998

RESULTS OF OPERATIONS

The divestitures of the Orkin Lawn Care and Plantscaping divisions in July, 1997 marked the Company's return to a single operational focus. Accordingly, the results of operations are presented on a continuing operations basis.

Revenues for the second quarter ended June 30, 1998 increased 0.4% to \$155.1 million. Net income increased 9.4% to \$6.9 million. Basic and diluted earnings per share were 21 cents compared to 19 cents last year, a 10.5% increase.

Year-to-date, revenues decreased 1.2% to \$278.0 million with net income decreasing 55.1% to \$5.1 million for an earnings per share of 16 cents compared to 34 cents last year.

For the quarter, pest control revenue and customer base increased substantially. The number of pest control contracts sold grew at a double-digit rate over last year. The positive trend in pest control revenue is a direct effect of the success of the Company's new marketing, sales and customer service programs. Termite revenue continues to lag due to more restrictive sales policies. The Company continues to undertake proactive measures in its termite business and believes these measures will contribute to its long-term revenue growth and profitability. Net income improved due to higher revenues and margin improvement.

Revenue and income from discontinued operations after income taxes for the second quarter ended June 30, 1997 were \$23.4 million and \$100,000, respectively. Year-to-date revenue and income from discontinued operations for 1997 were \$46.9 million and \$149,000, respectively.

FINANCIAL CONDITION

<TABLE>

<CAPTION>

	June 30, 1998	December 31, 1997
(In thousands)		
<S>	<C>	<C>
Cash and Short-Term Investments	\$ 40,756	\$ 125,842
Marketable Securities	124,385	75,037
	\$ 165,141	\$ 200,879
Working Capital	\$ 134,525	\$ 170,900
Current Ratio	2.0	2.3

</TABLE>

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 share repurchases.

Interest income increased 111.3% for the six months ended June 30, 1998 as compared to the same period in 1997 due to the increase in average cash invested in short-term investments and marketable securities as a result of the 1997 divestitures.

Net trade receivables decreased \$1.3 million or 2.5% at June 30, 1998 compared with December 31, 1997. Trade receivables include installment receivables which are due subsequent to one year from the balance sheet date. These amounts were approximately \$15.4 million and \$13.9 million at June 30, 1998 and December 31, 1997, respectively. The decrease in receivables is primarily the result of decreased financed sales in the termite business.

Over the past several years, the termite treatment division of the pest control industry has faced great challenges in solving property owners' termite problems. Some of the reasons for the increased difficulty in protecting structures have been changes in building practices and materials that have increased the property owners' potential for termites, the loss of Chlordane from the market in 1987 which resulted in the use of termiticides that may only last for a few years under some conditions, and laws and regulations restricting certain retreatment practices. All of the above factors have subjected termite service providers to experience elevated levels of claims. The Company's response to the industry-wide conditions is to undertake broad changes in its own termite processes. New quality control and field training programs, more thorough communication to customers concerning conducive conditions, and restrictions on the sale of certain structures were initiated during 1997. As a result of the factors described above and new information which became available in 1997, a Provision for Termite Contracts of \$117.0 million was recorded at December 31, 1997 related to the anticipated costs of reinspections, repair obligations, and associated labor, chemicals, and other costs incurred relative to termite work performed prior to December 31, 1997. The Company believes the related accrued liabilities are still reasonable at June 30, 1998.

7 of 10

During the six month period ended June 30, 1998, the Company invested \$6.6 million in capital expenditures and acquisitions. Also, \$10.0 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 ended June 30, 1998, the Company repurchased 587,000 shares of its common stock, confirming management's and the Board of Director's confidence in the Company's future. For the six months ended June 30, 1998, 669,000 shares have been repurchased.

During the fourth quarter of 1997, Orkin received a letter from the Federal Trade Commission (FTC) advising of their investigation of the pest control industry - more specifically, the termite control practices of the industry. The FTC has requested certain information voluntarily from Orkin and they have been advised of our intention to cooperate fully with their investigation. At this point in time, it is too early to determine the impact, if any, of the investigation.

MANAGEMENT CHANGES

In the second quarter of 1998, the Company announced two senior management changes. Harry J. Cynkus, age 48, was appointed as the Company's new Vice President of Finance, Chief Financial Officer and Treasurer. Also, Michael W. Knottek, age 53, Vice President of Corporate Administration, was elected to the office of Vice President and Secretary.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. 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, changes in industry practices or technologies, climate and weather trends, competitive factors and pricing pressures, 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.

8 of 10

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 28, 1998. The stockholders elected Bill J. Dismuke and Wilton Looney as Class III Directors for the three year term expiring in

2001. The 1998 Employee Stock Incentive Plan was approved by shareholders.

ITEM 5. OTHER INFORMATION

With respect to the Company's annual meeting of stockholders to be held in 1999, all stockholder proposals submitted outside the stockholder proposal rules contained in Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended, which pertains to the inclusion of shareholder proposals in a Company's proxy materials, must be received by the Company by March 14, 1999, in order to be considered timely. With regard to such stockholder proposals, if the date of the next annual meeting of stockholders is advanced or delayed by more than 30 calendar days from April 28, 1999, the Company shall, in a timely manner, inform its stockholders of the change, and the date by which such proposals must be received. As set forth in the Company's Proxy Statement dated March 24, 1998, shareholders who wish to avail themselves of the provisions of Rule 14a-8 must submit their proposals no later than November 24, 1998.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

(3)(i) The Company's Certificate of Incorporation is incorporated herein by reference to Exhibit (3)(i) as filed with its Form 10-K for the year year ended December 31, 1997.

(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.

(27) Financial Data Schedule

(b) Reports on Form 8-K

None

9 of 10

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 13, 1998

Rollins, Inc.
(Registrant)

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

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

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 13, 1998

Rollins, Inc.
(Registrant)

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

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

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

This schedule contains summary financial information extracted from the registrant's unaudited financial statements contained in its report on Form 10-Q for the quarterly period ended June 30, 1998 and is qualified in its entirety by reference to such financial statements.

</LEGEND>

<RESTATED>

<MULTIPLIER> 1,000

<CURRENCY> USD

<S>	<C>	<C>	<C>
<PERIOD-TYPE>	6-MOS	6-MOS	6-MOS
<FISCAL-YEAR-END>	DEC-31-1998	DEC-31-1997	DEC-31-1997
<PERIOD-START>	JAN-01-1998	JAN-01-1997	JAN-01-1997
<PERIOD-END>	JUN-30-1998	JUN-30-1997	JUN-30-1997
<EXCHANGE-RATE>	1.0	1.0	1.0
<CASH>	40,756	6,987	6,987
<SECURITIES>	124,385	70,108	70,108
<RECEIVABLES>	55,429	72,424	72,424
<ALLOWANCES>	7,513	4,357	4,357
<INVENTORY>	16,252	15,952	15,952
<CURRENT-ASSETS>	268,952	174,532	174,532
<PP&E>	75,957	73,805	73,805
<DEPRECIATION>	39,994	36,083	36,083
<TOTAL-ASSETS>	396,578	288,878	288,878
<CURRENT-LIABILITIES>	134,427	75,978	75,978
<BONDS>	0	0	0
<PREFERRED-MANDATORY>	0	0	0
<PREFERRED>	0	0	0
<COMMON>	32,630	33,708	33,708
<OTHER-SE>	94,728	140,565	140,565
<TOTAL-LIABILITY-AND-EQUITY>	396,578	288,878	288,878
<SALES>	0	0	0
<TOTAL-REVENUES>	278,015	281,322	281,322
<CGS>	0	0	0
<TOTAL-COSTS>	163,632	160,872	160,872
<OTHER-EXPENSES>	106,079	102,202	102,202
<LOSS-PROVISION>	0	0	0
<INTEREST-EXPENSE>	0	0	0
<INCOME-PRETAX>	8,304	18,248	18,248
<INCOME-TAX>	3,155	6,934	6,934
<INCOME-CONTINUING>	5,149	11,314	11,314
<DISCONTINUED>	0	149	149
<EXTRAORDINARY>	0	0	0
<CHANGES>	0	0	0
<NET-INCOME>	5,149	11,463	11,463
<EPS-PRIMARY>	0.16	0.34	0.34
<EPS-DILUTED>	0.16	0.34	0.34

</TABLE>