

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**  
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### FILER

#### ROLLINS INC

CIK: **84839** | IRS No.: **510068479** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **10-K405** | Act: **34** | File No.: **001-04422** | Film No.: **99574807**  
SIC: **7340** To dwellings & other buildings

Mailing Address  
2170 PIEDMONT ROAD NE  
ATLANTA GA 30324

Business Address  
2170 PIEDMONT RD NE  
ATLANTA GA 30324  
4048882000

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998  
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 NO. 1-4422

ROLLINS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE 51-0068479  
(State or other jurisdiction of (I.R.S. Employer Identification  
incorporation or organization) No.)

2170 PIEDMONT ROAD, N.E., ATLANTA, GEORGIA 30324  
(Address of principal executive offices)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (404) 888-2000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

<TABLE>  
<CAPTION>

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
<S>	<C>
Common Stock, \$1 Par Value	The New York Stock Exchange The Pacific Stock Exchange

</TABLE>

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None.

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of Rollins, Inc. Common Stock, held by non-affiliates on February 26, 1999, was \$242,129,802 based on the closing price on the New York Stock Exchange on such date of \$16 1/16 per share.

Rollins, Inc. had 30,479,785 shares of Common Stock outstanding as of February 26, 1999.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Rollins, Inc.'s Annual Report to Stockholders for the calendar year ended December 31, 1998 are incorporated by reference into Part II, Items 5-8, and Part IV, Item 14.

Portions of the Proxy Statement for the 1999 Annual Meeting of Stockholders

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-----  
PART I

ITEM 1. BUSINESS

(a) GENERAL DEVELOPMENT OF BUSINESS.

There have been no significant changes in the business of the Registrant since December 31, 1997.

(b) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS.

The Registrant has only one reportable segment, its pest and termite control business.

(c) NARRATIVE DESCRIPTION OF BUSINESS.

(1) (i) The Registrant is a national service company with headquarters located in Atlanta, Georgia, providing pest and termite control services to both residential and commercial customers.

Orkin Exterminating Company, Inc. (Orkin), a wholly-owned subsidiary founded in 1901, is one of the world's largest pest and termite control companies. It provides customized services through a network of over 400 company-owned and franchised branch locations to approximately 1.6 million customers. Orkin serves customers in the United States, Canada, and Mexico, providing essential pest control services and protection against termite damage, rodents and insects to homes and businesses, including hotels, food service establishments, dairy farms and transportation companies.

(ii) In 1998 Orkin introduced Acurid(SM), its premium brand of pest elimination service for commercial customers; related activities included opening additional branches dedicated to commercial customers, added service offerings, expanded guarantees, and new vehicle and uniform identification.

(iii) The Registrant maintains sufficient quantities of chemicals and other supplies on hand to alleviate any potential short-term shortage in availability from its national network of suppliers.

(iv) Other than the Orkin(Registered Trademark) trademark and the Acurid(SM) service mark, which are material to the Registrant, governmental licenses, patents, trademarks and franchises are of minor importance to the Registrant's service operations. Local licenses and permits are required in order for the Registrant to conduct its pest and termite control services in certain localities. In view of the widespread operations of the Registrant's service operations, the failure of a few local governments to license a facility would not have a material adverse effect on the results of operations of the Registrant.

(v) The business of the Registrant is affected by the seasonal nature of the Registrant's pest and termite control services. The metamorphosis of termites in the spring and summer (the occurrence of which is determined by the timing of the change in seasons) has historically resulted in an increase in the revenue and income of the Registrant's pest and termite control operations during such period.

(vi) The Registrant maintains a sufficient level of materials and supplies to fulfill its servicing needs.

(vii) The Registrant and its subsidiaries do not have a material part of their business that is dependent upon a single customer or a few customers, the loss of which would have a material effect on the business of the Registrant.

(viii) The dollar amount of service contracts and backlog orders as of the end of the Registrant's 1998 and 1997 calendar years was approximately \$14,231,000 and \$12,457,000, respectively. Backlog services and orders are usually provided within the month following the month of receipt, except in the area of prepaid pest control where services are usually provided within twelve months of receipt.

(ix) The Registrant and its subsidiaries do not have a material portion of their business that may be subject to renegotiation of profits or termination of contracts at the election of a governmental entity.

(x) The Registrant believes that Orkin competes favorably with competitors as one of the world's largest pest and termite control companies.

The principal methods of competition in the Registrant's pest and termite control business are service and guarantees, including the money-back guarantee on pest and termite control, and the termite retreatment and damage repair guarantee to qualified homeowners.

(xi) Expenditures by the Registrant on research activities relating to the development of new products or services are not significant. Some of the new and improved service methods and products are researched, developed and produced by unaffiliated universities and companies. Also, a portion of these methods and products are produced to the specifications provided by the Registrant.

(xii) Other than the impact on the Registrant of the 1997 Provision for Termite Contracts which was established to address the abnormal occurrence of termite claims, and the related cost to more frequently reapply materials, the capital expenditures, earnings and competitive position of the Registrant and its subsidiaries are not materially affected by compliance with Federal, state and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment.

(xiii) The number of persons employed by the Registrant and its subsidiaries as of the end of 1998 was 8,941.

(d) FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES.

The Registrant and its subsidiaries do not have foreign operations which are material to their business in terms of revenue, income (loss) from continuing operations, or assets.

ITEM 2. PROPERTIES.

The Registrant's administrative headquarters and central warehouse, both of which are owned by the Registrant, are located at 2170 Piedmont Road, N.E., Atlanta, Georgia 30324. The Registrant owns or leases several hundred branch offices and operating facilities used in its business. None of the branch offices, individually considered, represents a materially important physical property of the Registrant. The facilities are suitable and adequate to meet the current and reasonably anticipated future needs of the Registrant.

ITEM 3. LEGAL PROCEEDINGS.

In the normal course of business, the Registrant is a defendant in a number of lawsuits which allege that plaintiffs have been damaged as a result of the rendering of services by Registrant personnel and equipment. The Registrant is actively contesting these actions. It is the opinion of Management that the outcome of these actions will not have a material adverse effect on the Registrant's financial position, results of operations or liquidity.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 4.A. EXECUTIVE OFFICERS OF THE REGISTRANT.

Each of the executive officers of the Registrant was elected by the Board of Directors to serve until the Board of Directors' meeting immediately following the next annual meeting of stockholders or until his earlier removal by the Board of Directors or his resignation. The following table lists the executive officers of the Registrant and their ages, offices with the Registrant, and the dates from which they have continually served in their present offices with the Registrant.

<TABLE>  
<CAPTION>

NAME	AGE	OFFICE WITH REGISTRANT	DATE FIRST ELECTED TO PRESENT OFFICE
<S>	<C>	<C>	<C>

R. Randall Rollins (1).....	67	Chairman of the Board and Chief Executive Officer	10/22/91
Gary W. Rollins (1).....	54	President and Chief Operating Officer	1/24/84
Harry J. Cynkus (2).....	49	Chief Financial Officer and Treasurer	5/28/98
Michael W. Knottek (3).....	54	Vice President and Secretary	5/28/98

</TABLE>

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(1) R. Randall Rollins and Gary W. Rollins are brothers.

(2) Harry J. Cynkus joined the Registrant in April 1998 and, in May 1998, was elected Chief Financial Officer and Treasurer. From 1996 to 1998, Mr. Cynkus served as Chief Financial Officer of Mayer Electric Company, a \$300 million wholesaler of electrical supplies. From 1994 to 1996, he served as Vice President-Information Systems for Brach & Brock Confections, the acquirer of Brock Candy Company, where Mr. Cynkus served as Vice President-Finance and Chief Financial Officer from 1992 to 1994. From 1989 to 1992, he served as Vice President-Finance of Initial USA, a division of an international support services company. Mr. Cynkus is a Certified Public Accountant.

(3) Michael W. Knottek joined the Registrant in June 1997 as Vice President and, in addition, was elected Secretary in May 1998. From 1992 to 1997, Mr. Knottek held a variety of executive management positions with National Linen Service, including Senior Vice President of Finance and Administration and Chief Financial Officer. Prior to 1992, he held a variety of senior positions with Initial USA, finally serving as President from 1991 to 1992.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Information regarding dividends, stock prices and number of stockholders on page 8 of the 1998 Annual Report to Stockholders, and the principal markets on which the Registrant's Common Stock is traded on page 21 of the 1998 Annual Report to Stockholders, are incorporated herein by reference.

### ITEM 6. SELECTED FINANCIAL DATA.

Selected Financial Data on page 2 of the 1998 Annual Report to Stockholders is incorporated herein by reference.

### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

Management's Discussion and Analysis of Financial Condition and Results of Operation included on pages 9 through 11 of the 1998 Annual Report to Stockholders is incorporated herein by reference.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information under the caption "Market Risk" included in Management's Discussion and Analysis of Financial Condition and Results of Operation on page 11 of the 1998 Annual Report to Stockholders is incorporated herein by reference.

3

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements of the Registrant, the Independent Accountants' Report and the financial statement schedule incorporated by reference in this report are shown on the accompanying Index to Consolidated Financial Statements and Schedule.

Quarterly Information is on page 8 of the 1998 Annual Report incorporated herein by reference.

### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

## PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information under the caption "Election of Directors" included on pages 4 and 5 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 27, 1999 is incorporated herein by reference. Additional information concerning executive officers is included in Part I, Item 4.A. of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

The information under the caption "Executive Compensation" included on pages 8 through 10 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 27, 1999 is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information under the captions "Capital Stock" and "Election of Directors" included on pages 2 through 3 and pages 4 through 5, respectively, of the Proxy Statement for the Annual Meeting of Stockholders to be held April 27, 1999 is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information under the caption "Compensation Committee Interlocks and Insider Participation" included on page 8 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 27, 1999 is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) CONSOLIDATED FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULE AND EXHIBITS.

1. Consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements and Schedule are filed as part of this report.
2. The financial statement schedule listed in the accompanying Index to Consolidated Financial Statements and Schedule is filed as part of this report.
3. Exhibits listed in the accompanying Index to Exhibits are filed as part of this report.

(b) REPORTS ON FORM 8-K.

No reports on Form 8-K were filed during the fourth quarter of calendar year 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ R. RANDALL ROLLINS

-----  
 R. Randall Rollins  
 CHAIRMAN OF THE BOARD OF DIRECTORS  
 (PRINCIPAL EXECUTIVE OFFICER)  
 March 19, 1999

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

<TABLE>

<S>	<C>	<C>	<C>
By:	/s/ R. RANDALL ROLLINS	By:	/s/ HARRY J. CYNKUS
	-----		-----
	R. Randall Rollins		Harry J. Cynkus
	CHAIRMAN OF THE BOARD OF DIRECTORS		CHIEF FINANCIAL OFFICER AND TREASURER

</TABLE>

The Directors of Rollins, Inc. (listed below) executed a power of attorney appointing Gary W. Rollins their attorney-in-fact, empowering him to sign this report on their behalf.

- Wilton Looney, Director
- John W. Rollins, Director
- Henry B. Tippie, Director
- James B. Williams, Director
- Bill J. Dismuke, Director

-----  
/s/ GARY W. ROLLINS  
-----

Gary W. Rollins  
AS ATTORNEY-IN-FACT AND DIRECTOR

March 19, 1999

5

ROLLINS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE

(ITEM 14)

CONSOLIDATED FINANCIAL STATEMENTS OF ROLLINS, INC. AND SUBSIDIARIES:

The Registrant's 1998 Annual Report to Stockholders, portions of which are filed with this Form 10-K, contains on pages 12 through 20 the consolidated financial statements for the years ended December 31, 1998, 1997 and 1996 and the report of Arthur Andersen LLP on the consolidated financial statements for the years then ended. These consolidated financial statements and the report of Arthur Andersen LLP are incorporated herein by reference. The consolidated financial statements include the following:

<TABLE>  
<CAPTION>

	ANNUAL REPORT PAGE (S) -----
(1) CONSOLIDATED FINANCIAL STATEMENTS	
<S>	<C>
Consolidated Statements of Financial Position as of December 31, 1998 and 1997.....	12
Consolidated Statements of Income for each of the three years in the period ended December 31, 1998.....	13
Consolidated Statements of Earnings Retained for each of the three years in the period ended December 31, 1998.....	13
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 1998.....	14
Notes to Consolidated Financial Statements.....	15-19
Report of Independent Accountants on Consolidated Financial Statements.....	20
REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE, Page 7 of this Form 10-K.	

</TABLE>

(2) FINANCIAL STATEMENT SCHEDULES

Schedule II--Valuation and Qualifying Accounts, Page 8 of this Form 10-K.

Schedules not listed above have been omitted as either not applicable, immaterial or disclosed in the Consolidated Financial Statements or notes thereto.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Directors and the Stockholders of Rollins, Inc.:

We have audited, in accordance with generally accepted auditing standards, the Consolidated Financial Statements included in Rollins, Inc.'s annual report to stockholders incorporated by reference in this Form 10-K, and have issued our report thereon dated February 16, 1999. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in Item 14 of this Form 10-K is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

-----  
ARTHUR ANDERSEN LLP

Atlanta, Georgia  
February 16, 1999

ROLLINS, INC. AND SUBSIDIARIES

SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS (1)

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(IN THOUSANDS OF DOLLARS)

<TABLE>  
<CAPTION>

<S> DESCRIPTION	<C> BALANCE AT BEGINNING OF PERIOD	ADDITIONS		<C> DEDUCTIONS (2)	<C> BALANCE AT END OF PERIOD
		<C> CHARGED TO COSTS AND EXPENSES	<C> CHARGED TO OTHER ACCOUNTS		
Year ended December 31, 1998					
Allowance for doubtful accounts.....	\$9,326	\$ 4,502	\$ --	\$ 8,481	\$5,347
Year ended December 31, 1997					
Allowance for doubtful accounts.....	\$4,457	\$14,531	\$ --	\$ 9,662	\$9,326
Year ended December 31, 1996					
Allowance for doubtful accounts.....	\$8,879	\$ 7,264	\$ --	\$11,686	\$4,457

</TABLE>

NOTE: (1) The above schedule is prepared reflecting the divestitures of the Registrant's RPS business segment and Orkin's Landscaping and Lawn Care divisions. All prior years have been restated.

(2) Deductions represent the write-off of uncollectible receivables, net of recoveries.

ROLLINS, INC. AND SUBSIDIARIES  
INDEX TO EXHIBITS  
(ITEM 14)

<TABLE>  
<CAPTION>  
EXHIBIT NUMBER  
-----

<S>                    <C>

- (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. are incorporated herein by reference to Exhibit 3(b) as filed with its Form 10-K for the year ended December 31, 1993.
- (4)                Form of Common Stock Certificate of Rollins, Inc.
- (10)                Rollins, Inc. 1984 Employee Incentive Stock Option Plan is incorporated herein by reference to Exhibit 10 as filed with its Form 10-K for the year ended December 31, 1996.
- (10) (a)            Rollins, Inc. 1994 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit A of the March 18, 1994 Proxy Statement for the Annual Meeting of Stockholders held on April 26, 1994.
- (10) (b)            Asset Purchase Agreement, dated as of October 1, 1997, by and among Rollins, Ameritech Monitoring Services, Inc. and Ameritech Corporation is incorporated herein by reference to Exhibit 2.1 as filed with its Form 8-K Current Report filed October 16, 1997.
- (10) (c)            Rollins, Inc. 1998 Employee Stock Incentive Plan is incorporated herein by reference to Exhibit A of the March 24, 1998 Proxy Statement for the Annual Meeting of Stockholders held on April 28, 1998.
- (13)                Portions of the Annual Report to Stockholders for the year ended December 31, 1998 which are specifically incorporated herein by reference.
- (21)                Subsidiaries of Registrant.
- (23)                Consent of Independent Public Accountants.
- (24)                Powers of Attorney for Directors.
- (27)                Financial Data Schedule.

</TABLE>

NUMBER  
WR 87647

[ROLLINS LOGO]

COMMON

COMMON

ROLLINS, INC.

CUSIP 775711 10 4

INCORPORATED UNDER THE LAWS  
OF THE STATE OF DELAWARE

THIS CERTIFICATE IS TRANSFERABLE IN  
ATLANTA, GA, OR IN NEW YORK, N.Y.

THIS CERTIFIES THAT

SEE REVERSE FOR CERTAIN DEFINITIONS

IS THE OWNER OF

FULLY PAID AND NON-ASSESSABLE SHARES OF THE PAR VALUE OF ONE DOLLAR (\$1.00) EACH OF THE COMMON STOCK OF ROLLINS, INC., transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney, upon surrender of this certificate properly endorsed. This certificate and the shares represented thereby are issued and shall be subject to all of the provisions of the Certificate of Incorporation of the Corporation as now or hereafter amended to all of which the holder hereof by acceptance hereby assents.

This certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

/s/ Gene L. Smith  
SECRETARY

[SEAL]

/s/ R. Randall Rollins  
CHAIRMAN

COUNTERSIGNED AND REGISTERED:

TRUST COMPANY BANK  
(ATLANTA, GA.)

TRANSFER AGENT  
AND REGISTRAR

BY

AUTHORIZED SIGNATURE

ROLLINS, INC.

The corporation will furnish to any stockholder upon request and without charge a full statement of the designations, preferences, limitations, and relative rights of the shares of each class of stock authorized to be issued and, with respect to the classes of stock which may be issued in series, the variations in the relative rights and preferences between the shares of each such series, so far as the same have been fixed and determined, and the authority of the Board of Directors to fix and determine the relative rights

and preferences of subsequent series. Such request may be made to the Secretary of the Corporation at its principal office or to the Transfer Agent.

-----

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

<TABLE>				
<S>	<C>	<C>	<C>	
TEN COM -- as tenants in common		UNIF GIFT MIN ACT--	_____ Custodian _____	
TEN ENT -- as tenants by the entireties			(Cust)	(Minor)
JT TEN -- as joint tenants with right of survivorship and not as tennants in common			under Uniform Gifts to Minors Act _____	
				(State)
</TABLE>				

Additional abbreviations may also be used though not in the above list.

For value received, \_\_\_\_\_ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

-----  
-----

\_\_\_\_\_  
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF ASSIGNEE)

\_\_\_\_\_  
shares of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

\_\_\_\_\_  
Attorney to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated \_\_\_\_\_

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

SIGNATURE(S) GUARANTEED: \_\_\_\_\_

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

## Exhibit 13

FIVE-YEAR FINANCIAL SUMMARY  
Rollins, Inc. and Subsidiaries<TABLE>  
<CAPTION>

(In thousands except per share data)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
OPERATIONS SUMMARY					
Revenues	\$ 549,136	\$ 538,639	\$ 532,785	\$ 529,788	\$ 507,722
Income (Loss) from Continuing Operations After Income Taxes	3,177	(104,781)	22,386	38,661	46,017
Income From Discontinued Operations After Income Taxes	3,410	106,278	409	616	3,544
Net Income	6,587	1,497	22,795	39,277	49,561
Earnings (Loss) Per Share:					
Continuing Operations	0.10	(3.09)	0.63	1.08	1.29
Discontinued Operations	0.11	3.13	0.01	0.02	0.10
Basic and Diluted	0.21	0.04	0.64	1.10	1.39
Dividends per Share	0.50	0.60	0.58	0.56	0.50
FINANCIAL POSITION					
Total Assets	\$ 327,265	\$ 432,680	\$ 296,656	\$ 306,111	\$ 285,922
Working Capital	84,015	170,900	117,176	140,865	132,879
Long-Term Debt	--	--	--	--	--
Stockholders' Equity	80,235	145,644	190,290	214,318	193,633
Shares Outstanding at Year-End	30,489	33,279	34,594	35,858	35,826

&lt;/TABLE&gt;

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## QUARTERLY INFORMATION

STOCK PRICES AND DIVIDENDS  
(Rounded to the nearest 1/8)<TABLE>  
<CAPTION>

1998	Stock Prices		Dividends	1997	Stock Prices		Dividends
	High	Low	Paid		High	Low	Paid
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
First Quarter	\$ 21 5/8	\$ 19 1/2	\$ .15	First Quarter	\$ 19 7/8	\$ 18 3/4	\$ .15
Second Quarter	21 1/8	19 1/2	.15	Second Quarter	20 1/8	18 5/8	.15
Third Quarter	20 7/8	16 7/8	.15	Third Quarter	24 5/8	19 1/4	.15
Fourth Quarter	17 7/8	15 1/4	.05	Fourth Quarter	24 1/2	19 7/8	.15

&lt;/TABLE&gt;

THE NUMBER OF STOCKHOLDERS OF RECORD AS OF DECEMBER 31, 1998 WAS 3,061.

<TABLE>  
<CAPTION>

## PROFIT AND LOSS INFORMATION

(In thousands except per share data)	First	Second	Third	Fourth
<S>	<C>	<C>	<C>	<C>
1998				
Revenues	\$ 122,965	\$ 155,050	\$ 144,493	\$ 126,628

Income (Loss) from Continuing Operations	(1,764)	6,913	880	(2,852)
Income from Discontinued Operations	--	--	--	3,410
Net Income (Loss)	(1,764)	6,913	880	558
Earnings (Loss) per Share				
Continuing Operations	(.05)	.21	.03	(.09)
Discontinued Operations	.00	.00	.00	.11
	-----	-----	-----	-----
Basic and Diluted	(.05)	.21	.03	.02

1997				
Revenues	\$ 126,951	\$ 154,371	\$ 140,287	\$ 117,030
Income (Loss) from Continuing Operations	5,095	6,219	(11,863)	(104,232)
Income from Discontinued Operations	49	100	9,529	96,600
Net Income (Loss)	5,144	6,319	(2,334)	(7,632)
Earnings (Loss) per Share				
Continuing Operations	.15	.19	(.36)	(3.07)
Discontinued Operations	.00	.00	.29	2.84
	-----	-----	-----	-----
Basic and Diluted	.15	.19	(.07)	(.23)

1996				
Revenues	\$ 119,978	\$ 153,929	\$ 138,728	\$ 120,150
Income from Continuing Operations	6,183	12,716	3,355	132
Income (Loss) from Discontinued Operations	204	125	(49)	129
Net Income	6,387	12,841	3,306	261
Earnings per Share				
Continuing Operations	.17	.36	.09	.01
Discontinued Operations	.01	.00	.00	.00
	-----	-----	-----	-----
Basic and Diluted	.18	.36	.09	.01

</TABLE>

8

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### RESULTS OF OPERATIONS

<TABLE>					
<CAPTION>					
				% Change From Prior Year Increase/(Decrease)	
(IN THOUSANDS)	1998	1997	1996	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	\$ 549,136	\$ 538,639	\$ 532,785	1.9 %	1.1 %
Income (Loss) From Continuing Operations After Income Taxes	3,177	(104,781)	22,386	103.0	N/M
Income From Discontinued Operations After Income Taxes	3,410	106,278	409	(96.8)	N/M
Net Income	6,587	1,497	22,795	340.0	(93.4)

</TABLE>

### GENERAL OPERATING COMMENTS

The Company strengthened its single focus on its Orkin Pest Control (Orkin) business in 1998 by its non-pest control business divestitures in 1997, a renewed emphasis on building recurring revenue, a further expansion of its commercial business, and aggressive termite control claims reduction initiatives. Revenue grew 1.9% to \$549.1 million in 1998 and 8.2% in the fourth quarter compared to the same period last year. The revenue increase positively impacted income from continuing operations and net income.

During the year, the Company announced the hiring and appointment of James A. McKinney and Harry J. Cynkus to the respective positions of Chief Operating Officer of Orkin and Chief Financial Officer, and the promotion of Michael W. Knottek to the position of Vice President and Secretary. These executives have distinguished backgrounds in the management of service corporations and broaden the strong pool of talented managers already in place at Rollins, Inc.

### CONTINUING OPERATIONS - 1998 VERSUS 1997

The Company's 1.9% increase in revenues was due primarily to growth in recurring pest control revenue resulting from the success of our more

consumer-friendly selling and treatment programs and to an increase in termite renewal revenue resulting from higher average renewal prices. Revenue was also impacted positively by the Company's ten pest control acquisitions in 1998, including two companies in Canada. These revenue increases were partially offset by a decline in termite sales revenue caused by placing our emphasis on changing contracts and sales practices that were initiated in response to the capabilities of modern-day termiticides, new building materials and construction practices.

Cost of Services Provided decreased on both a dollar and percentage of revenues basis, primarily due to reductions in termite claims experience and operating insurance costs. Sales, General and Administrative expenses also decreased on both a dollar and percentage of revenues basis, primarily due to reduced expenditures related to Year 2000 system modifications and to lower bad debt expense. The Company's net tax provision of \$1.9 million, as compared to a benefit of \$64.2 million in 1997, reflects increased taxable income in 1998.

Key programs implemented in 1998 included improved sales and service programs to meet the changing demands of today's busy customers. We also introduced a premium brand of service for our commercial customers, Acurid-SM-; related activities included the opening of additional commercial branches, improved service technology, expanded guarantees, and new vehicle and uniform identification. As a result of these programs, we achieved strong gains in customer base and revenues in this division.

We implemented aggressive changes in sales policies, treatment standards and guarantees offered in termite control. These internal enhancements, along with extensive reinspection, retreatment and repair programs, in conjunction with the establishment of our national quality control department, allow us to more effectively provide termite control service to all our new and existing customers. These termite remediation expenditures in 1998 were charged against the Accrual for Termite Contracts. We provided an advanced termite training course, developed exclusively by the Company in partnership with Texas A&M, to Orkin employees who have previously completed both in-branch and classroom termite control training. This program provides the best termite training in the industry.

We began an evaluation of our management information systems in 1998 to improve communications with the branches and strengthen management reporting and focus. These improvements will provide branch managers with timely, key data needed to more efficiently manage daily operations.

Through the investments made in 1998 and the successes we have seen to date in regards to increased sales, improved customer service and satisfaction, and improved employee retention, we believe that the Company is better positioned for long-term growth in customer base, revenues and profits. The quarter-over-quarter improvement in revenue and profit achieved in the fourth quarter provides positive momentum for 1999.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

##### CONTINUING OPERATIONS - 1997 VERSUS 1996

The Company's revenues increased 1.1% over 1996 due primarily to increases in customer base and recurring pest control and termite renewal revenues, partially offset by the continuing decrease in termite sales revenue resulting from a disappointing termite season in 1997 and restrictive changes in sales policies in response to rising termite claims. The shortfall in termite sales, increased insurance costs and termite claims, and other operating expense increases correspondingly impacted income.

Programs in development during 1997 were designed to address customer retention issues and to explore alternative sales and service strategies. Test results for those programs were favorable, and they were expanded nationwide in 1998. Additionally, the field management organization was strengthened via the reorganization of three previous residential divisions into six new geographic divisions.

Over the past several years, the termite treatment segment 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 negative impact of post-Chlordane termiticides, which may only last for a few years instead of decades; and laws and regulations restricting certain retreatment practices. All of the above factors have caused termite service providers to experience elevated levels of termite claims.

The Company responded to these industry-wide conditions by undertaking 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 mid-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 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 termite protection guarantee period on new sales was also changed in order to bring warranties for our customers more in line with the confirmed effectiveness of the newer termiticide chemicals that have been used since 1987.

During the fourth quarter of 1997, an additional \$15.0 million was provided for estimated liabilities related to the Company's self-insurance program for automobile, workers' compensation, and general liability. Additionally, reserves for bad debts were strengthened by \$8.0 million during the fourth quarter.

DISCONTINUED OPERATIONS

In 1997, the Company estimated its liabilities associated with its divested operations and recorded a Gain on Disposal, net of taxes, of \$106.1 million on the sales of the Orkin Lawn Care and Landscaping businesses and the Rollins Protective Services division. These divestitures were completed as part of the Company's shift towards a single operational focus on its core pest control business. In the fourth quarter of 1998, the Company recorded an additional gain, net of taxes, of \$3.4 million as a result of the reevaluation of the Company's liabilities for costs associated with these discontinued operations.

YEAR 2000 ISSUES

Aware that the Year 2000 (Y2K) information technology programming issue could have a significant potential impact on its future operations and financial reporting, the Company began its assessment and remediation processes in 1997 regarding its primary financial and operating systems. The Company's assessment activities have included (1) identifying all software and operating systems - both information technology (IT) systems and non-IT systems with embedded technology - which are critical to operations and/or financial reporting, (2) testing of such software and systems for Y2K compliancy, and (3) obtaining assurances from the Company's vendors and its large commercial customers. The Company's remediation activities have included replacing certain software and operating systems, followed by testing to ensure the Y2K compliancy of the replacements.

Based on its assessment and remediation activities to date, the Company believes that its critical internal software and operating systems are Y2K compliant with the exception of its bad debt collection system, its branch personal computers (PCs), and its commercial division's national accounts system. The Company's bad debt collection system is currently being updated and is expected to be Y2K compliant by the end of the first quarter 1999, and the branch PCs are expected to be replaced by the end of the second quarter 1999. The Company is currently formulating an information technology plan for its national accounts system. This plan is expected to be finalized by the end of the first quarter 1999, and any necessary remediation efforts are expected to be concluded by the end of 1999. The total cost of Y2K expenditures to date as of December 31, 1998 was approximately \$19.0 million; the remaining Y2K remediation costs are anticipated to be approximately \$1.0 million.

Based on assurances from the majority of its vendors and large commercial customers to date, the Company does not anticipate any material Y2K impact on its operations or financial reporting at this time. The Company believes that the worst case scenario will be some minor nuisances experienced by a small number of its branches in January 2000.

The Company expects to have contingency plans in place by the end of 1999 that address potential short-term business disruptions resulting from losses of electricity and system malfunctions related to the ordering and delivering of operating supplies and the printing of sales orders.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL CONDITION

<TABLE>

<CAPTION>

(DOLLARS IN THOUSANDS)	1998	1997	1996	% Change From Prior Year Increase/(Decrease)	
				1998	1997
-----					

<S>	<C>	<C>	<C>	<C>	<C>
Cash and Short-Term Investments	\$1,244	\$ 125,842	\$ 12,150		
Marketable Securities	110,229	75,037	84,785		
	111,473	200,879	96,935	(44.5)%	107.2%
Working Capital	84,015	170,900	117,176	(50.8)	45.8
Current Ratio	1.7	2.3	2.7	(26.1)	(14.8)
Total Assets	327,265	432,680	296,656	(24.4)	45.9

</TABLE>

Rollins, Inc.'s financial position remains solid. The Company believes its current cash balances and future cash flows from operating activities will be sufficient to finance its current operations and obligations, and fund expansion of the business for the foreseeable future. The Company's cash flow used in operating activities was \$679,000 for 1998 compared with cash flow provided of \$5.7 million and \$51.9 million for 1997 and 1996, respectively. The 1998 decrease resulted from working capital changes related primarily to lower divestiture and remediation liabilities, partially offset by higher income from continuing operations, adjusted for non-cash items. The 1997 decrease was due primarily to decreased income.

Interest income increased 18.4% due to the increase in average funds invested in short-term investments and marketable securities, largely from the 1997 divestitures.

Net trade receivables decreased \$6.8 million in 1998, due primarily to decreased financed termite sales. Trade receivables include amounts due subsequent to one year from the balance sheet date, approximating \$9.0 million and \$13.9 million at the end of 1998 and 1997, respectively.

The Company invested \$13.9 million in capital expenditures and acquisitions in 1998 and expects to invest between \$30 and \$40 million in 1999, inclusive of improvements to its management information systems. A total of \$16.1 million was paid in cash dividends in 1998. In the fourth quarter of 1998, regular quarterly dividends were reduced from 15 cents per share to 5 cents per share to better balance the relationship between earnings, dividends and future stock repurchases. During the year, a total of \$56.2 million was paid for repurchases of 2.8 million shares, or 8.3%, of the Company's Common Stock. These repurchased shares were retired in 1998; an additional 1.6 million shares may be repurchased under the current authorization. The capital expenditures, acquisitions, cash dividends and stock repurchases were primarily funded through existing cash balances. The Company maintains a \$40.0 million unused line of credit, which is available for future acquisitions and growth, if needed.

In 1997 and 1998, Orkin received letters from the Federal Trade Commission (FTC) advising of its investigation of the pest control industry - more specifically, the termite and moisture control practices of the industry--and requesting certain information voluntarily from the Company. Orkin has voluntarily provided the information requested and has advised of the Company's intention to continue to cooperate fully with this investigation. At this point in time, it is too early to determine the impact, if any, of this investigation.

#### MARKET RISK

The Company maintains an investment portfolio, comprised of U.S. Government and corporate debt securities, which is subject to interest rate risk exposure. This risk is managed through conservative policies to invest in high-quality obligations. The Company has performed an interest rate sensitivity analysis using a duration model over the near term with a 10% change in interest rates. The Company's portfolio is not subject to material interest rate risk exposure based on this analysis, and no material changes in market risk exposures or how those risks are managed is expected.

#### IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." The adoption of this standard, effective as of January 1, 2000, is not expected to materially impact the results of operations or financial condition of the Company.

#### FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements within the meaning of 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; market risk; changes in industry practices or technologies; the degree of success of the Company's termite process reforms; climate and weather trends; competitive factors and pricing practices; the Year 2000 programming issue; potential increases in labor costs; uncertainties of litigation; and changes in various government laws

and regulations, including environmental regulations. All of the foregoing risks and uncertainties are beyond the ability of the Company to control, and in many cases the Company cannot predict the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements.

11

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
ROLLINS, INC. AND SUBSIDIARIES

<TABLE>  
<CAPTION>

At December 31, (In thousands except share data)		1998	1997
<S>	<C>	<C>	<C>
<b>ASSETS</b>			
	Cash and Short-Term Investments	\$ 1,244	\$ 125,842
	Marketable Securities	110,229	75,037
	Trade Receivables, Net	42,353	49,166
	Materials and Supplies	13,335	15,010
	Deferred Income Taxes	20,083	24,826
	Other Current Assets	11,864	11,737
	<b>Current Assets</b>	<b>199,108</b>	<b>301,618</b>
	Equipment and Property, Net	35,466	34,639
	Intangible Assets	40,602	39,383
	Deferred Income Taxes	44,369	49,072
	Other Assets	7,720	7,968
	<b>Total Assets</b>	<b>\$ 327,265</b>	<b>\$ 432,680</b>
<b>LIABILITIES</b>			
	Capital Lease Obligations	\$ 3,419	\$ 3,138
	Accounts Payable	10,890	25,420
	Accrued Insurance	18,348	21,225
	Accrued Payroll	18,400	16,013
	Unearned Revenue	15,210	13,831
	State Income Taxes Payable	7,188	12,057
	Accrual for Termite Contracts	25,800	26,000
	Other Expenses	15,838	13,034
	<b>Current Liabilities</b>	<b>115,093</b>	<b>130,718</b>
	Capital Lease Obligations	6,090	9,239
	Accrued Insurance	38,975	30,878
	Accrual for Termite Contracts	66,350	91,000
	Long-Term Accrued Liabilities	20,522	25,201
	<b>Total Liabilities</b>	<b>247,030</b>	<b>287,036</b>
Commitments and Contingencies			
<b>STOCKHOLDERS' EQUITY</b>			
	Common Stock, par value \$1 per share; 99,500,000 shares authorized; 30,488,741 and 33,279,281 shares issued	30,489	33,279
	Earnings Retained	49,746	112,365
	<b>Total Stockholders' Equity</b>	<b>80,235</b>	<b>145,644</b>
	<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 327,265</b>	<b>\$ 432,680</b>

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

12

CONSOLIDATED STATEMENTS OF INCOME  
ROLLINS, INC. AND SUBSIDIARIES

<TABLE>  
<CAPTION>

Years Ended December 31, (In thousands except per share data)	1998	1997	1996
<S>	<C>	<C>	<C>
REVENUES			
Customer Services	\$ 549,136	\$ 538,639	\$ 532,785
COSTS AND EXPENSES			
Cost of Services Provided	327,463	362,225	302,929
Depreciation and Amortization	8,934	8,382	7,046
Provision for Termite Contracts	--	117,000	--
Sales, General and Administrative	216,596	227,622	192,669
Interest Income	(8,981)	(7,588)	(5,967)
	544,012	707,641	496,677
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	5,124	(169,002)	36,108
PROVISION (BENEFIT) FOR INCOME TAXES			
Current	(4,937)	6,021	15,273
Deferred	6,884	(70,242)	(1,551)
	1,947	(64,221)	13,722
INCOME (LOSS) FROM CONTINUING OPERATIONS	3,177	(104,781)	22,386
DISCONTINUED OPERATIONS			
Operating Income, Less Income Tax Expense of \$119 and \$250 in 1997 and 1996, Respectively	--	192	409
Gain on Disposal, Less Income Tax Expense of \$2,090 and \$70,214 in 1998 and 1997, Respectively	3,410	106,086	--
INCOME FROM DISCONTINUED OPERATIONS	3,410	106,278	409
NET INCOME	\$ 6,587	\$ 1,497	\$ 22,795
EARNINGS (LOSS) PER SHARE			
Continuing Operations	\$ .10	\$ (3.09)	\$ .63
Discontinued Operations	.11	3.13	.01
EARNINGS PER SHARE - BASIC AND DILUTED	\$ .21	\$ .04	\$ .64

</TABLE>

CONSOLIDATED STATEMENTS OF EARNINGS RETAINED  
ROLLINS, INC. AND SUBSIDIARIES

<TABLE>  
<CAPTION>

Years Ended December 31, (In thousands except per share data)	1998	1997	1996
<S>	<C>	<C>	<C>
Balance at Beginning of Year	\$ 112,365	\$ 155,696	\$ 224,009
Net Income	6,587	1,497	22,795
Cash Dividends	(16,064)	(20,360)	(20,669)
Common Stock Purchased and Retired	(53,429)	(24,733)	(24,916)
Common Stock in Treasury Retired	--	--	(45,371)
Other	287	265	(152)
Balance at End of Year	\$ 49,746	\$ 112,365	\$ 155,696
DIVIDENDS PER SHARE	\$ .50	\$ .60	\$ .58

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
ROLLINS, INC. AND SUBSIDIARIES  
<TABLE>  
<CAPTION>

Years Ended December 31, (In thousands)	1998	1997	1996
<b>OPERATING ACTIVITIES</b>			
<S>	<C>	<C>	<C>
Net Income	\$ 6,587	\$ 1,497	\$ 22,795
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:			
Provision for Termite Contracts	-	117,000	-
Provision for Self-Insurance Reserves	-	15,000	-
Provision for Bad Debts	-	8,000	-
Depreciation and Amortization	8,934	8,382	7,046
Provision (Benefit) for Deferred Income Taxes	8,974	(69,228)	1,061
Discontinued Operations, Net of Taxes	(3,410)	(106,278)	(409)
Other, Net	5,121	7,169	3,330
(Increase) Decrease in Assets:			
Trade Receivables	7,087	7,505	9,313
Materials and Supplies	1,719	(3,388)	(535)
Other Current Assets	1,638	(2,034)	4,250
Other Non-Current Assets	3,044	-	(3,063)
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Expenses	(15,167)	11,608	4,669
Unearned Revenue	1,379	2,154	525
Accrued Insurance	5,220	9,629	3,507
Accrual for Termite Contracts	(24,850)	-	-
Long-Term Accrued Liabilities	(6,955)	(1,336)	(558)
Net Cash Provided by (Used in) Operating Activities	(679)	5,680	51,931
<b>INVESTING ACTIVITIES</b>			
Purchases of Equipment and Property	(10,402)	(8,956)	(8,292)
Net Cash Used for Acquisition of Companies	(3,517)	(1,440)	(2,373)
Net Proceeds from Sale of Discontinued Operations, Net of Current Taxes Paid	-	156,469	-
Marketable Securities, Net	(35,033)	9,846	(19,661)
Net Cash Provided by (Used in) Investing Activities	(48,952)	155,919	(30,326)
<b>FINANCING ACTIVITIES</b>			
Dividends Paid	(16,064)	(20,360)	(20,669)
Common Stock Purchased and Retired	(56,195)	(26,083)	(26,200)
Proceeds from Capital Leases	-	-	5,500
Payments on Capital Leases	(2,868)	(2,521)	(1,314)
Other	160	300	420
Net Cash Used in Financing Activities	(74,967)	(48,664)	(42,263)
NET CASH PROVIDED BY (USED IN) DISCONTINUED OPERATIONS	-	757	(815)
Net Increase (Decrease) in Cash and Short-Term Investments	(124,598)	113,692	(21,473)
Cash and Short-Term Investments at Beginning of Year	125,842	12,150	33,623
Cash and Short-Term Investments at End of Year	\$ 1,244	\$ 125,842	\$ 12,150

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996, ROLLINS, INC. AND SUBSIDIARIES

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1. SIGNIFICANT ACCOUNTING POLICIES

**BUSINESS DESCRIPTION** - Rollins, Inc. (the Company) is a national service company with headquarters located in Atlanta, Georgia, providing pest control and termite control services to both residential and commercial customers.

In 1998, the Company adopted Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures About Segments of an Enterprise and Related Information." As the Company has only one reportable segment - its pest and termite control business - the majority of the disclosures required by SFAS 131 do not apply to the Company. In regard to the general disclosures required by SFAS 131, the Company's results of operations and its financial condition are not significantly reliant upon any single customer or the Company's foreign operations.

**PRINCIPLES OF CONSOLIDATION** - The consolidated financial statements of the Company include the accounts of Rollins, Inc. and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

**ESTIMATES USED IN THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS** - The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**REVENUES** - Revenue is recognized at the time services are performed.

**CASH AND SHORT-TERM INVESTMENTS** - The Company considers all investments with a maturity of three months or less to be cash equivalents. Short-term investments are stated at cost which approximates fair market value.

**MARKETABLE SECURITIES** - The Company's marketable securities are classified as "available for sale" and have been recorded at current market value with an offsetting adjustment to stockholders' equity.

**MATERIALS AND SUPPLIES** - Materials and supplies are recorded at the lower of cost (first-in, first-out basis) or market.

**EQUIPMENT AND PROPERTY** - Depreciation and amortization, which includes the amortization of assets recorded under capital leases, are provided principally on a straight-line basis over the estimated useful lives of the related assets. Annual provisions for depreciation are computed using the following asset lives: buildings, 10 to 40 years; and furniture, fixtures, and operating equipment, 3 to 10 years. The cost of assets retired or otherwise disposed of and the related accumulated depreciation and amortization are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to income. Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are expensed as incurred.

**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. These estimated outstanding claims have been reflected in the Consolidated Statements of Financial Position in the line items entitled Accrued Insurance.

**ADVERTISING** - Advertising expenses are charged to income during the year in which they are incurred. The total advertising costs were approximately \$27.5 million in 1998 and 1997, and \$26.3 million in 1996.

**INCOME TAXES** - The Company follows the practice of providing for income taxes based on Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns.

**EARNINGS PER SHARE** - In 1997, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (EPS), which requires companies to present basic EPS and diluted EPS. Basic EPS is computed 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 years reported.

A reconciliation of the number of weighted-average shares used in computing basic and diluted EPS is as follows:

<TABLE>  
<CAPTION>

(IN THOUSANDS)	1998	1997	1996
<S>	<C>	<C>	<C>
Basic EPS	31,973	33,896	35,478
Effect of Dilutive Stock Options	30	28	46
Diluted EPS	32,003	33,924	35,524

</TABLE>

STOCK-BASED COMPENSATION - During 1996, the Company adopted the disclosure-only requirements of Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation." As permitted by SFAS 123, the Company continues to account for employee stock compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". See Note 9 to the consolidated financial statements for additional information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996, ROLLINS, INC. AND SUBSIDIARIES

COMPREHENSIVE INCOME - In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income," effective for fiscal years beginning after December 15, 1997. For the years ended December 31, 1998, 1997 and 1996, comprehensive income is not materially different from net income and, as a result, the impact of SFAS 130 is not reflected in the Company's consolidated financial statements.

RECLASSIFICATIONS - Certain amounts for previous years have been reclassified to conform with the 1998 consolidated financial statement presentation.

2. CHANGES IN ACCOUNTING ESTIMATES

In the fourth quarter of 1997, the Company made certain changes in accounting estimates totaling \$23.0 million due to 1997 events and new information becoming available. The Company's provision for its self-insurance program for automobile, workers' compensation, and general liability was increased by \$15.0 million. This provision has been reflected in the Consolidated Statements of Income in the line item entitled Cost of Services Provided. The provision for bad debts was also increased by \$8.0 million and has been reflected in the Consolidated Statements of Income in the line item entitled Sales, General and Administrative.

In the fourth quarter of 1997, a provision for termite contracts of \$117.0 million was recorded related to the estimated costs of reinspections, reapplications, repair claims and associated labor, chemicals, and other costs incurred relative to termite work performed prior to December 31, 1997. These anticipated costs reflected the Company's response to current trends in the termite treatment area of its operations and the pest control industry. The provision was reflected in the 1997 Consolidated Statements of Income in the line item entitled Provision for Termite Contracts. The related liabilities at December 31, 1998 and 1997, reflecting the estimated costs incurred but as yet unpaid related to termite work performed prior to these dates, have been reflected in the Consolidated Statements of Financial Position in the line items entitled Accrual for Termite Contracts.

3. DISCONTINUED OPERATIONS

In October 1997, the Company sold its Rollins Protective Services (RPS) business segment for approximately \$200.0 million in cash. In July 1997, the Company sold its Lawn Care and Landscaping divisions for approximately \$37.0 million in cash. In 1997, the Company estimated its liabilities associated with these divested operations and recorded a gain from the sales of RPS and the Lawn Care and Landscaping divisions of \$106.1 million, net of taxes. In the fourth quarter of 1998, the Company reevaluated its liabilities associated with these divested operations and recorded an additional gain of \$3.4 million, net of taxes.

The Company's results of operations for the years ended December 31, 1997 and 1996 have been restated for the divestitures of the RPS business segment and the

Lawn Care and Landscaping divisions. The results of operations of these divested operations and the gains on their disposal have been reflected in the Consolidated Statements of Income in the section entitled Discontinued Operations.

Summarized financial information for the discontinued operations is as follows:

<TABLE>  
<CAPTION>

(IN THOUSANDS)	1997	1996
<S>	<C>	<C>
Revenues	\$ 64,721	\$ 94,646
Income Before Income Taxes	311	659
Net Income	192	409
Assets	-	35,321
Liabilities	-	12,127
Net Assets of Discontinued Operations	\$ -	\$ 23,194

</TABLE>

#### 4. TRADE RECEIVABLES

Trade receivables, net, at December 31, 1998, totaling \$42.4 million and at December 31, 1997, totaling \$49.2 million are net of allowances for doubtful accounts of \$5.3 million and \$9.3 million, respectively. Trade receivables include installment receivable amounts which are due subsequent to one year from the balance sheet dates. These amounts were approximately \$9.0 million and \$13.9 million at the end of 1998 and 1997, respectively. The carrying amount of installment receivables approximates fair value because the interest rates approximate market rates.

#### 5. EQUIPMENT AND PROPERTY

Equipment and property are presented at cost less accumulated depreciation and are detailed as follows:

<TABLE>  
<CAPTION>

(IN THOUSANDS)	1998	1997
<S>	<C>	<C>
Buildings	\$ 9,759	\$ 7,584
Operating Equipment	44,805	42,163
Furniture and Fixtures	8,542	9,790
Computer Equipment Under Capital Leases	8,736	8,736
	71,842	68,273
Less - Accumulated Depreciation	39,704	37,002
	32,138	31,271
Land	3,328	3,368
	\$35,466	\$34,639

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996, ROLLINS, INC. AND SUBSIDIARIES

#### 6. INTANGIBLE ASSETS

Intangible assets represent goodwill arising from acquisitions and are stated at cost less accumulated amortization. Intangibles which arose from acquisitions prior to November 1970 are not being amortized for financial statement purposes, since, in the opinion of Management, there has been no decrease in the value of the acquired businesses. Intangibles arising from acquisitions since November 1970 are being amortized over forty years.

#### 7. INCOME TAXES

A reconciliation between taxes computed at the statutory rate on the Income (Loss) From Continuing Operations Before Income Taxes and the Provision (Benefit) for Income Taxes is as follows:

<TABLE>  
<CAPTION>

(IN THOUSANDS)	1998	1997	1996
<S>	<C>	<C>	<C>
Federal Income Taxes at Statutory Rate	\$ 1,595	\$ (64,680)	\$12,790
State Income Taxes (Net of Federal Benefit)	367	268	1,368
Other	(15)	191	(436)
	\$ 1,947	\$ (64,221)	\$13,722

</TABLE>

The Provision (Benefit) for Income Taxes was based on a 38.0% estimated effective income tax rate on Income (Loss) From Continuing Operations Before Income Taxes for the years ended December 31, 1998, 1997 and 1996. The effective income tax rate differs from the annual federal statutory tax rate primarily because of state income taxes.

During 1998, the Company received a refund of income taxes of \$2.4 million, net of payments. Income taxes remitted, related to both continuing and discontinued operations, were \$85.2 million and \$9.4 million for the years ended December 31, 1997 and 1996, respectively.

Components of the net deferred income tax assets (liabilities) at December 31, 1998 and 1997 include:

<TABLE>  
<CAPTION>

(IN THOUSANDS)	1998	1997
<S>	<C>	<C>
Termite Accrual	\$40,125	\$ 49,720
Insurance Reserves	31,909	34,629
Safe Harbor Lease	(11,449)	(14,128)
Other	3,867	3,677
	\$ 64,452	\$73,898

</TABLE>

#### 8. COMMITMENTS AND CONTINGENCIES

The Company has capitalized lease obligations and several operating leases. The minimum lease payments under the capital leases and non-cancelable operating leases with terms in excess of one year, in effect at December 31, 1998, are summarized as follows:

<TABLE>  
<CAPTION>

(In Thousands)	Capitalized Leases	Operating Leases
<S>	<C>	<C>
1999	\$ 3,918	\$ 18,989
2000	3,918	14,736
2001	2,231	9,157
2002	303	7,219
2003	-	6,272
Thereafter	-	38,611
	10,370	\$ 94,984
Amount Representing Interest	(861)	
Present Value of Obligation	9,509	
Portion Due Within One Year	(3,419)	
Long-Term Obligations	\$6,090	

-----  
-----

</TABLE>

Total rental expense under operating leases charged to operations was \$25.4 million, \$23.5 million, and \$22.2 million for the years ended December 31, 1998, 1997 and 1996, respectively.

In the normal course of business, the Company is a defendant in a number of lawsuits which allege that plaintiffs have been damaged as a result of the rendering of services by Company personnel and equipment. The Company is actively contesting these actions. It is the opinion of Management that the outcome of these actions will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

17

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996, ROLLINS, INC. AND SUBSIDIARIES

9. EMPLOYEE BENEFIT PLANS

The Company maintains a noncontributory tax-qualified defined benefit retirement plan (the Plan) covering all employees meeting certain age and service requirements. The Plan provides benefits based on the average compensation for the highest five years during the last ten years of credited service (as defined) in which compensation was received, and the average anticipated Social Security covered earnings. The Company funds the Plan with at least the minimum amount required by ERISA. The funded status of the Plan and the resulting accrued benefit liability are summarized as follows at December 31:

<TABLE>

<CAPTION>

(IN THOUSANDS)

	1998	1997
CHANGE IN BENEFIT OBLIGATION		
<S>	<C>	<C>
Benefit Obligation at Beginning of Year	\$66,908	\$57,309
Service Cost	3,611	3,221
Interest Cost	5,182	4,437
Actuarial Loss	4,258	4,576
Benefits Paid	(2,671)	(2,635)
Benefit Obligation at End of Year	77,288	66,908
CHANGE IN PLAN ASSETS		
Fair Value of Plan Assets at Beginning of Year	59,741	54,876
Actual Return on Plan Assets	6,188	7,500
Benefits Paid	(2,671)	(2,635)
Fair Value of Plan Assets at End of Year	63,258	59,741
Funded Status	(14,030)	(7,167)
Unrecognized Net Actuarial Loss	8,621	5,485
Unrecognized Prior Service Cost	(226)	(262)
Accrued Benefit Liability	\$ (5,635)	\$ (1,944)

</TABLE>

Accrued benefit liabilities at December 31, 1998 and 1997 of \$5.6 million and \$1.9 million, respectively, have been reflected in the Consolidated Statements of Financial Position in the line item entitled Other Expenses.

The weighted-average assumptions as of December 31 were as follows:

<TABLE>

<CAPTION> (IN THOUSANDS)	1998	1997	1996
<S>	<C>	<C>	<C>
Discount Rate	7.0%	7.5%	7.5%
Expected Return on Plan Assets	9.5%	9.5%	9.5%
Rate of Compensation Increase	4.0%	4.5%	4.5%

The components of net periodic benefit cost for the past three years are summarized as follows:

<CAPTION> (IN THOUSANDS)	1998	1997	1996
<S>	<C>	<C>	<C>
Service Cost	\$ 3,611	\$ 3,221	\$3,141
Interest Cost	5,182	4,437	4,081
Expected Return on Plan Assets	(5,269)	(5,007)	(4,615)
Net Amortizations:			
Amortization of Net Asset	-	(575)	(1,150)
Amortization of Net Loss	203	-	-
Amortization of Net Prior Service Cost	(36)	(31)	(31)
Net Periodic Benefit Cost	\$ 3,691	\$ 2,045	\$1,426

In 1998, the Company adopted Financial Accounting Standards Board No. 132 (SFAS 132), "Employers' Disclosures About Pensions and Other Postretirement Benefits." The 1997 and 1996 amounts shown in the tables above have been restated in accordance with the disclosures required by SFAS 132.

At December 31, 1998, the Plan's assets were comprised of listed common stocks and U.S. Government and corporate securities. Included in the assets of the Plan were shares of Rollins, Inc. Common Stock with a market value of \$5.3 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996, ROLLINS, INC. AND SUBSIDIARIES

The Company sponsors a deferred compensation 401(k) plan that is available to substantially all employees with six months of service. The charges to expense for the Company match were approximately \$1.5 million in 1998, \$1.7 million in 1997, and \$1.6 million in 1996.

The Company has two Employee Incentive Stock Option Plans, the first adopted in January 1994 (1994 Plan) and the second adopted in April 1998 (1998 Plan) as a supplement to the 1994 Plan. An aggregate of 3.0 million shares of Common Stock may be granted under various stock incentive programs sponsored by these plans, at a price not less than the market value of the underlying stock on the date of grant. Options may be issued under the 1994 Plan and the 1998 Plan through January 2004 and April 2008, respectively, and expire ten years from the date of grant, if not exercised.

Options are also outstanding under a prior Employee Incentive Stock Option Plan (1984 Plan). Under this plan, 1.2 million shares of Common Stock were subject to options granted during the ten-year period ended October 1994. The options were granted at the fair market value of the shares on the date of grant and expire ten years from the date of grant, if not exercised. No additional options will be granted under the 1984 Plan.

Option transactions during the last three years for the 1998, 1994 and 1984 Plans are summarized as follows:

<TABLE>  
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Number of Shares Under Stock Options:			
Outstanding at Beginning of Year	359,785	300,132	257,611
Granted	890,000	197,600	75,000
Exercised	(3,550)	(7,657)	(5,037)
Cancelled	(101,615)	(130,290)	(27,442)
Outstanding at End of Year	1,144,620	359,785	300,132
Exercisable at End of Year	106,960	80,405	92,458
Weighted-Average Exercise Price:			
Granted	\$ 19.69	\$ 19.25	\$ 20.87
Exercised	13.18	12.47	12.95
Cancelled	20.77	22.57	24.47
Outstanding at End of Year	20.42	22.29	24.18
Exercisable at End of Year	23.40	23.31	21.40

</TABLE>

Information with respect to options outstanding and options exercisable at December 31, 1998 is as follows:

<TABLE>  
<CAPTION>

Exercise Price	Number Outstanding	Average Remaining Contractual Life	Number Exercisable
<S>	<C>	<C>	<C>
\$12.25	3,180	1.08 years	3,180
13.25	11,740	2.08	11,740
19.08	4,200	3.08	4,200
25.50	3,100	4.08	3,100
28.38	103,600	5.08	54,480
24.25	5,000	6.08	1,800
20.88	47,000	7.08	6,960
19.25	136,800	8.08	21,500
19.69	830,000	9.33	-
	1,144,620		106,960

</TABLE>

The Company applied Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", in accounting for its stock options and, accordingly, no compensation cost has been recognized for stock options in the consolidated financial statements. Had the Company determined compensation cost based on the fair value at the grant date of its stock options granted in 1998, 1997 and 1996 under SFAS 123 (See Note 1 to the consolidated financial statements), the Company's net income, as disclosed on the Consolidated Statements of Income, would have been reduced by approximately \$578,000 in 1998, \$103,000 in 1997 and \$45,000 in 1996. Earnings per share would have been reduced by \$.02 in 1998, with no earnings per share effect in 1997 and 1996.

The per share weighted-average fair value of stock options granted during 1998, 1997 and 1996 was \$6.07, \$5.34 and \$6.37, respectively, on the date of grant, using the Black-Scholes option-pricing model with the following weighted-average assumptions:

<TABLE>  
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Risk-Free Interest Rate	6.04%	5.69%	5.63%
Expected Life, in Years	8	8	8
Expected Volatility	23.22%	18.55%	21.44%
Expected Dividend Yield	2.37%	2.17%	1.99%

</TABLE>

REPORT OF MANAGEMENT

To the stockholders of Rollins, Inc.:

We have prepared the accompanying financial statements and related information included herein for the years ended December 31, 1998, 1997, and 1996. The opinion of Arthur Andersen LLP, the Company's independent accountants, on those financial statements is included herein. The primary responsibility for the integrity of the financial information included in this annual report rests with management. Such information was prepared in accordance with generally accepted accounting principles, appropriate in the circumstances, based on our best estimates and judgements and giving due consideration to materiality.

Rollins, Inc. maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and which produce records adequate for preparation of financial information. The system and controls and compliance therewith are reviewed by an extensive program of internal audits and by our independent accountants. There are limits inherent in all systems of internal accounting control based on the recognition that the cost of such a system should not exceed the benefit to be derived. We believe the Company's system provides this appropriate balance.

The Board of Directors pursues its review and over sight role for these financial statements through an Audit Committee composed of three outside directors. The Audit Committee's duties include recommending to the Board of Directors the appointment of an independent accounting firm to audit the financial statements of Rollins, Inc. The Audit Committee meets periodically with management and the Board of Directors. It also meets with representatives of the internal and independent auditors and reviews the work of each to insure that their respective responsibilities are being carried out and to discuss related matters. Both the internal and independent accountants have direct access to the Audit Committee.

/s/ R. Randall Rollins

-----  
R. Randall Rollins  
CHAIRMAN OF THE BOARD AND  
CHIEF EXECUTIVE OFFICER

Atlanta, Georgia  
February 16, 1999

REPORT OF INDEPENDENT ACCOUNTANTS

To the Directors and Stockholders of Rollins, Inc.:

We have audited the accompanying statements of financial position of Rollins, Inc. (a Delaware Corporation) and subsidiaries as of December 31, 1998 and 1997 and the related statements of income, earnings retained and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rollins, Inc. and subsidiaries as of December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP  
Arthur Andersen LLP

Atlanta, Georgia  
February 16, 1999

Board of Director's  
Photograph

-----  
(Standing from left): James B. Williams, Gary W. Rollins, John W. Rollins and Henry B. Tippie;

(Seated from left): R. Randall Rollins, Bill J. Dismuke and Wilton Looney.

DIRECTORS

John W. Rollins  
Chairman of the Board and Chief  
Executive Officer of  
Rollins Truck Leasing  
Corp. (vehicle leasing and  
transportation),  
Chairman of the Board of  
Dover Downs  
Entertainment, Inc.  
(entertainment complex)

Henry B. Tippie           U  
Chairman of the Board and Chief  
Executive Officer of  
Tippie Services, Inc.  
(management  
services)

R. Randall Rollins           \*  
Chairman of the Board and Chief  
Executive Officer of Rollins,  
Inc., Chairman  
of the Board and Chief  
Executive Officer  
of RPC, Inc. (oil and gas  
field services,  
and boat  
manufacturing)

Wilton Looney           U  
Honorary Chairman of the Board  
of Genuine Parts Company  
(automotive parts distributor)

James B. Williams           U  
Chairman of the Executive Committee of  
SunTrust Banks, Inc. (bank holding company)

Gary W. Rollins           \*  
President and Chief  
Operating  
Officer of Rollins,  
Inc.

Bill J. Dismuke  
Retired President of  
Edwards  
Baking Company

\*   Member of the  
      Executive  
      Committee  
U   Member of the Audit  
      and Compensation Committees

OFFICERS

R. Randall Rollins  
Chairman of the Board and Chief  
Executive Officer

Gary W. Rollins  
President and  
Chief  
Operating Officer

Harry J. Cynkus  
Chief Financial Officer and  
Treasurer

Michael W. Knottek  
Vice President and  
Secretary

STOCKHOLDERS'  
INFORMATION

ANNUAL MEETING

The Annual Meeting of the Stockholders will be held at 9:30 a.m. Tuesday, April 27, 1999, at the Company's corporate offices in Atlanta, Georgia

TRANSFER AGENT AND REGISTRAR

For inquiries related to stock certificates, including changes of address, lost certificates, dividends, and tax forms, please contact:

SunTrust Bank  
Stock Transfer Department  
P.O. Box 4625  
Atlanta, Georgia 30302  
Telephone: 1-800-568-3476

STOCK EXCHANGE INFORMATION

The Common Stock of the Company is listed on the New York and Pacific Stock Exchanges and traded on the Philadelphia, Chicago and Boston Exchanges under the symbol ROL.

DIVIDEND REINVESTMENT PLAN

This Plan provides a simple, convenient, and inexpensive way for stockholders to invest cash dividends in additional Rollins, Inc. shares. For further information, contact SunTrust Bank, at the above address or write to the Chief Financial Officer at the Company's mailing address.

FORM 10-K

The Company's annual report on Form 10-K to the Securities and Exchange Commission provides certain additional information. Stockholders may obtain a copy by contacting the Chief Financial Officer at the Company's mailing address.

CORPORATE OFFICES

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

MAILING ADDRESS

Rollins, Inc.  
P.O. Box 647  
Atlanta, Georgia 30301

TELEPHONE

(404) 888-2000

Exhibit 21

List of Subsidiaries  
Rollins, Inc.

The following list sets forth subsidiaries of Rollins, Inc. Each corporation whose name is indented is a wholly-owned subsidiary of the corporation next above which is not indented.

<TABLE>

<CAPTION>

Name	State/Country of Incorporation
----	-----
<S>	<C>
Orkin Exterminating Company, Inc.	Delaware
Orkin Systems, Inc.	Delaware
Dettelbach Pesticide Corporation	Georgia
Kinro Advertising Company	Delaware
Orkin Expansion, Inc.	Delaware
Orkin S.A. de C.V.	Mexico
Orkin International, Inc.	Delaware
Orkin Canada, Inc.	Canada
Alberta Pest Control Services Limited	Canada
A-1 Professional Pest Services	Canada
Rollins Continental, Inc.	New York
Rollins Expansion, Inc.	Delaware
Rollins Supply, Inc.	Delaware
Red Diamond Insurance Co.	Vermont

</TABLE>

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports, included (or incorporated by reference) in this Form 10-K, into the Company's previously filed Form S-8 Registration Statement (No. 33-6404), Form S-8 Registration Statement (No. 33-26056), Form S-8 Registration Statement (No. 33-52355), and Form S-3 Registration Statement (No. 33-15360).

/s/ ARTHUR ANDERSEN LLP

-----  
ARTHUR ANDERSEN LLP

Atlanta, Georgia  
March 24, 1999

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints R. Randall Rollins and/or Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 1st day of March, 1999.

/s/ JOHN W. ROLLINS

-----  
John W. Rollins, DIRECTOR

Witness:

/s/ CINDY AIFARO

-----  
Cindy Aifaro

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints R. Randall Rollins and/or Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 11th day of February, 1999.

/s/ WILTON LOONEY

Wilton Looney, DIRECTOR

Witness:

/s/ NORMA S. COOK  
-----

Norma S. Cook

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints R. Randall Rollins and/or Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 12th day of February, 1999.

/s/ BILL J. DISMUKE  
-----

Bill J. Dismuke, DIRECTOR

Witness:

/s/ SUE DIAMOND  
-----

Sue Diamond

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints R. Randall Rollins and/or Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all

that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 15th day of February, 1999.

/s/ HENRY B. TIPPIE

-----  
Henry B. Tippie, DIRECTOR

Witness:

/s/ TERI WHETSTON

-----  
Teri Whetston

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints R. Randall Rollins and/or Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 12th day of February, 1999.

/s/ JAMES B. WILLIAMS

-----  
James B. Williams, DIRECTOR

Witness:

/s/ JANET V. SCHELL

-----  
Janet V. Schell

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENTS OF FINANCIAL POSITION AT DECEMBER 31, 1998, 1997, AND 1996 AND STATEMENTS OF INCOME AND EARNINGS RETAINED FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996.

</LEGEND>

<MULTIPLIER> 1,000

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<COMMON>	30,489	33,279	34,594
<OTHER-SE>	49,746	112,365	155,696
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<OTHER-EXPENSES>	216,549	345,416	193,748
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<INTEREST-EXPENSE>	0	0	0
<INCOME-PRETAX>	5,124	(169,002)	36,108
<INCOME-TAX>	1,947	(64,221)	13,722
<INCOME-CONTINUING>	3,177	(104,781)	22,386
<DISCONTINUED>	3,410	106,278	409
<EXTRAORDINARY>	0	0	0
<CHANGES>	0	0	0
<NET-INCOME>	6,587	1,497	22,795
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</TABLE>