

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 8-K

**CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): **February 2, 2005**

LABOR READY, INC.

(Exact Name of Registrant as Specified in Its Charter)

Washington

(State or Other Jurisdiction of Incorporation)

001-14543

(Commission File Number)

91-1287341

(IRS Employer Identification No.)

1015 A Street, Tacoma, Washington
(Address of Principal Executive Offices)

98402
(Zip Code)

(253) 383-9101

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On February 2, 2005, the Company issued a press release (the "Press Release") reporting its financial results for the fourth quarter ended December 31, 2004, a copy of which is attached hereto as Exhibit 99.1 and the contents of which are incorporated herein by this reference.

In accordance with General Instruction B.2. of Form 8-K, the information contained in the Press Release shall not be deemed "Filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

99.1. Press Release of Labor Ready, Inc., dated February 2, 2005.

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 hereunto duly authorized.

LABOR READY, INC.
(Registrant)

By: /s/ Joseph P. Sambataro, Jr.
Joseph P. Sambataro, Jr.
Chief Executive Officer

Date: February 2, 2005

FOR IMMEDIATE RELEASE:

LABOR READY REPORTS RECORD ANNUAL REVENUES AND NET INCOME

Net Income for the Fourth Quarter 2004 Increased 100 Percent

TACOMA, WA, February 2, 2005—Labor Ready, Inc. (NYSE: LRW) reported that revenue for the 13-week fourth quarter ended Dec. 31, 2004 increased 9.4 percent to \$272.1 million from \$248.7 million for the 14-week fourth quarter of 2003. On a comparable 13-week basis, revenue for the fourth quarter of 2004 increased 19.2 percent compared to the fourth quarter of 2003. Net income for the quarter improved 100 percent to \$10.4 million, or \$0.21 per share, from \$5.2 million, or \$0.12 per share, a year earlier.

Revenue for 2004 increased 17.2 percent to \$1,044 million from \$891 million in 2003. Net income improved 110 percent to \$36.8 million, or \$0.76 per share, from \$17.5 million, or \$0.41 per share, for fiscal 2003.

“The strength of our operations team has continued to build throughout our 15 year history,” said Labor Ready President and CEO Joe Sambataro. “Our results in 2004 reflected solid top line growth, higher gross margins, and strong cost controls. We continue to focus on our strategies of increasing revenue and profitability of our existing branches, penetrating new markets in the U.S., Canada and the United Kingdom, and diversifying our service offerings for our customers.”

Gross margin for the fourth quarter of 2004 was 31.4 percent compared to 29.7 percent in the fourth quarter 2003, a 1.7 percent improvement. Operating expenses for the fourth quarter 2004 decreased by 0.9 percent of revenue.

According to Sambataro, approximately 1.1 percent of the improvement in gross margin was attributable to increased pricing and improved safety trends. An additional 0.6 percent of the margin improvement resulted from certain adjustments in connection with the company’s workers’ compensation costs.

“We have been working diligently to expand our safety procedures in regard to our temporary workers and reduce risk exposure through better client selection,” said Sambataro. “I am pleased to report that we are making significant progress in reducing our overall workers’ compensation expense through these programs. With the improvements in safety and reduced risk exposure, claim frequency has dropped approximately 10 percent from 2003 levels. We expect these trends to continue and estimate gross margin will average 30.5 percent in 2005.”

The Spartan and Workforce branches the company acquired at the beginning of the second quarter of 2004 provided 6 percent of Labor Ready’s year-over-year revenue growth during the fourth quarter and continued to make a positive contribution to the company’s quarterly and year-to-date net income results. Labor Ready anticipates opening 35 new branch locations in 2005, including 15 Spartan branches, 15 branches in smaller markets in the U.S. and Canada, and five branches in the United Kingdom.

For the first quarter of 2005, the company estimates revenue in the range of \$240 million to \$245 million, with net income per share for the quarter between \$0.09 and \$0.11. Based on current trends, revenue for the year 2005 is estimated to be in the range of \$1,140 million to \$1,160 million, with net income per share for the year in the range of \$0.90 to \$0.95. These estimates have been calculated taking into consideration the impact of expensing stock options in accordance with FAS 123R, *Share Based Payment*, for the last half of 2005.

Management will discuss fourth quarter 2004 results on a conference call at 8:00 a.m. (PT) Thursday, Feb. 3, 2005. The conference call can be accessed on Labor Ready’s web site at www.laborready.com.

This news release contains forward-looking statements, such as statements about the ranges of revenues, gross margins and net income anticipated for future periods, improvements in safety and workers’ compensation claims and costs, strategies for increasing revenue and net income, and other factors that may affect our financial results and operations in the future. Our actual results are, however, subject to a number of risks, including without limitation the following: 1) national and global economic conditions; 2) our ability to continue to attract and retain customers and maintain profit margins in the face of new and existing competition; 3) potential new laws and regulations that could have a materially adverse effect on our operations and financial results; 4) significant labor disturbances which could disrupt industries we serve; 5) increased costs and collateral requirements in connection with our insurance

obligations, including workers’ compensation insurance; 6) the adequacy of our financial reserves; 7) our continuing ability to comply with financial covenants in our lines of credit and other financing agreements; 8) our ability to attract and retain competent employees in key positions; 9) our ability to successfully complete and integrate acquisitions that we may make from time to time; and 10) other risks described in our filings with the Securities and Exchange Commission, including the Report on Form 10-Q filed Nov. 15, 2004.

About Labor Ready

Labor Ready is the nation’s leading provider of temporary manual labor, serving more than 300,000 customers by providing a flexible, dependable workforce to such industries as freight handling, warehousing, landscaping, construction and light manufacturing. Annually, Labor Ready puts more than 600,000 people to work. Labor Ready operates more than 800 locations in the United States, Canada, and the United Kingdom. For additional information, visit Labor Ready’s website at www.laborready.com

For more information, contact:

Steve Cooper, CFO
253-680-8213

Stacey Burke, Director of Public Relations
253-680-8291

LABOR READY, INC.
SUMMARY CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	Thirteen Weeks Ended		Year Ended	
	December 31, 2004	Jan 2, 2004	December 31, 2004	Jan 2, 2004
Revenue from services	\$ 272,134	\$ 248,730	\$ 1,044,236	\$ 891,191
Cost of services	186,811	174,842	727,059	624,878
Gross profit	85,323	73,888	317,177	266,313

Selling, general and administrative expenses	65,515	62,171	244,906	226,019
Depreciation and amortization	2,473	2,143	9,012	8,395
Income from operations	17,335	9,574	63,259	31,899
Interest and other expense, net	562	1,048	2,599	4,332
Income before tax expense	16,773	8,526	60,660	27,567
Income tax	6,395	3,350	23,852	10,036
Net income	\$ 10,378	\$ 5,176	\$ 36,808	\$ 17,531
Net Income per common share:				
Basic	\$ 0.25	\$ 0.13	\$ 0.88	\$ 0.43
Diluted	\$ 0.21	\$ 0.12	\$ 0.76	\$ 0.41
Weighted average shares outstanding:				
Basic	42,082	40,737	41,674	40,387
Diluted	52,827	51,738	52,289	50,916

LABOR READY, INC.
SUMMARY CONSOLIDATED BALANCE SHEETS

	As of	
	December 31, 2004	Jan 2, 2004
Assets		
Current assets		
Cash and cash equivalents	\$ 128,817	\$ 83,112
Marketable securities	11,947	25,257
Accounts receivable, net	94,313	79,620
Other current assets	24,719	16,815
Total current assets	259,796	204,804
Property and equipment, net	26,289	28,489
Other assets	158,471	140,424
Total assets	\$ 444,556	\$ 373,717
Liabilities and shareholders' equity		
Current liabilities		
Long-term liabilities	\$ 76,462	\$ 70,830
Total liabilities	165,205	148,748
Shareholders' equity	241,667	219,578
Total liabilities and shareholders' equity	202,889	154,139
	\$ 444,556	\$ 373,717

LABOR READY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
In Thousands
(Unaudited)

	52 and 53 Weeks Ended	
	December 31, 2004	Jan 2, 2004
Cash Flows from Operating activities:		
Net income	\$ 36,808	\$ 17,531
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,787	9,276
Provision for doubtful accounts	9,599	10,129
Deferred income taxes	13,572	(2,099)
Other operating activities	2,788	1,957
Changes in operating assets and liabilities:		
Accounts receivable	(24,292)	(22,762)
Workers' compensation claims reserve	23,454	14,905
Income taxes	(13,783)	(1,762)
Other assets	259	429
Other current liabilities	5,529	6,193
Net cash provided by operating activities	63,721	33,797
Cash Flows from Investing activities:		
Purchases of marketable securities	(15,379)	(29,562)
Maturities of marketable securities	28,639	25,606
Capital expenditures	(5,247)	(4,417)
Purchase of Spartan Staffing, Inc.	(9,890)	—
Other Assets	(196)	(167)
Restricted cash and other assets	(17,805)	(15,491)
Proceeds from sale of property and equipment	43	—
Net cash used in investing activities	(19,835)	(24,031)
Cash Flows from Financing activities:		
Proceeds from sale of stock through options and employee benefit plans	7,370	5,542
Payments on debt	(2,750)	(2,435)
Payments for offering costs	—	(22)
Checks issued against future deposits	(4,197)	4,197

Purchase and retirement of common stock	—	(4,957)
Net cash provided by financing activities	423	2,325
Effect of exchange rates on cash	1,396	1,766
Net change in cash and cash equivalents	45,705	13,857
Cash and cash equivalents, beginning of period	83,112	69,255
Cash and cash equivalents, end of period	<u>\$ 128,817</u>	<u>\$ 83,112</u>
