

**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): **October 19, 2006**

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

RS 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 October 19, 2006, Labor Ready, Inc. (the "Company") issued a press release (the "Press Release") reporting its financial results for the third quarter ended September 29, 2006 and earnings guidance for the fourth quarter of 2006, 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.

(d) Exhibits

- 99.1. Press Release of the Company dated October 19, 2006.

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)

Date: October 19, 2006

By: */s/ Derrek Gafford*

Derrek Gafford
Chief Financial Officer

FOR IMMEDIATE RELEASE:

LABOR READY REPORTS 2006 THIRD QUARTER RESULTS
Net Income Increases 14 Percent

TACOMA, WA, Oct. 19, 2006—Labor Ready, Inc. (NYSE: LRW) reported revenue for the third quarter ended Sept. 29, 2006 increased 4 percent to \$374.1 million compared to revenue of \$360.4 million for the third quarter of 2005. Net income for the quarter increased 14 percent to \$24.8 million or \$0.48 per diluted share, as compared to \$21.8 million or \$0.40 per diluted share for the third quarter of 2005.

Revenue for the quarter from branch offices open 12 months or longer grew 2 percent. “While we have felt the effect of a slowing residential housing market over the past two quarters, its impact has stabilized, and we have continued to produce solid growth in the other industries we serve,” said Labor Ready CEO Steve Cooper.

Gross profit as a percentage of revenue improved 100 basis points compared to the same quarter a year ago as a result of lower workers’ compensation costs and continued strong pricing controls. “Our safety programs continue to produce industry-leading reductions in claim frequency,” said Cooper. According to Cooper, claim frequency has decreased approximately 15 percent year-to-date in comparison with the same period last year and is down over 40 percent since the beginning of 2003.

The company opened a total of eight new branch offices and closed five during the quarter. It plans to open two additional branch offices in the fourth quarter. The company currently operates 926 branch offices.

“We are pleased with the strategic fit and financial results of our two acquired companies, CLP Resources and Spartan Staffing. We will continue to explore acquisitions, focusing on service leaders within blue-collar staffing,” added Cooper.

During the quarter the company repurchased half a million of its outstanding shares for \$8 million, leaving \$42 million available for future purchases under the current repurchase program approved by its Board of Directors.

For the fourth quarter of 2006, Labor Ready estimates revenue in the range of \$342 million to \$345 million and net income per diluted share between \$.29 and \$.31.

Management will discuss third quarter 2006 results on a conference call at 8 a.m. (PT) Thursday, Oct. 19, 2006. 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 Labor Ready’s financial results and operations in the future. Labor Ready’s actual results are, however, subject to a number of risks, including without limitation the following: 1) national and global economic conditions; 2) Labor Ready’s 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 Labor Ready’s operations and financial results; 4) significant labor disturbances which could disrupt industries Labor Ready serves; 5) increased costs and collateral requirements in connection with Labor Ready’s insurance obligations, including workers’ compensation insurance; 6) the adequacy of Labor Ready’s financial reserves; 7) Labor Ready’s continuing ability to comply with financial covenants in its lines of credit and other financing agreements; 8) Labor Ready’s ability to attract and retain competent employees in key positions or to find temporary employees or

skilled trade workers to fulfill the needs of our customers; 9) Labor Ready’s ability to successfully complete and integrate acquisitions that it may make from time to time; 10) execute strategies for acquired companies; and 11) other risks described in Labor Ready’s filings with the Securities and Exchange Commission, including its most recent Form 10-K and Form 10-Q filings.

About Labor Ready

Labor Ready is an international provider of temporary employees for manual labor, light industrial and skilled construction trades, operating under the brand names of Labor Ready, Workforce, Spartan Staffing, and CLP Resources. Labor Ready’s customers are primarily small- to mid-sized businesses in the construction, warehousing, hospitality, landscaping, transportation, light manufacturing, retail, wholesale, facilities and sanitation industries. Annually, Labor Ready serves approximately 300,000 customers and puts more than 600,000 people to work through its more than 925 branch offices 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:

Derrek Gafford, CFO
253-680-8214

Stacey Burke, Director of Corporate Communications
253-680-8291

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

| | <u>Thirteen Weeks Ended</u> | | <u>Thirty-nine Weeks Ended</u> | |
|-----------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | <u>September 29, 2006</u> | <u>September 30, 2005</u> | <u>September 29, 2006</u> | <u>September 30, 2005</u> |
| Revenue from services | \$ 374,126 | \$ 360,445 | \$ 1,010,970 | \$ 898,869 |
| Cost of services | 253,262 | 247,572 | 687,738 | 617,185 |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Gross profit | 120,864 | 112,873 | 323,232 | 281,684 |
| Selling, general and administrative expenses | 81,790 | 76,491 | 235,523 | 202,158 |
| Depreciation and amortization | 2,441 | 2,469 | 7,909 | 6,864 |
| Income from operations | 36,633 | 33,913 | 79,800 | 72,662 |
| Interest and other income, net | 3,018 | 1,421 | 8,765 | 2,607 |
| Income before tax expense | 39,651 | 35,334 | 88,565 | 75,269 |
| Income tax | 14,823 | 13,542 | 33,655 | 28,677 |
| Net income | \$ 24,828 | \$ 21,792 | \$ 54,910 | \$ 46,592 |
| Net income per common share: | | | | |
| Basic | \$ 0.48 | \$ 0.41 | \$ 1.04 | \$ 1.00 |
| Diluted | \$ 0.48 | \$ 0.40 | \$ 1.03 | \$ 0.89 |
| Weighted average shares outstanding: | | | | |
| Basic | 51,690 | 53,243 | 52,882 | 46,785 |
| Diluted | 52,009 | 54,275 | 53,361 | 53,546 |

LABOR READY, INC.
SUMMARY CONSOLIDATED BALANCE SHEETS

| | As of | |
|---|--------------------------------------|----------------------|
| | September 30, 2006 (Unaudited) | December 30, 2005 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 65,031 | \$ 82,155 |
| Marketable securities | 95,190 | 93,510 |
| Accounts receivable, net | 143,880 | 121,959 |
| Other current assets | 31,669 | 21,039 |
| Total current assets | 335,770 | 318,663 |
| Property and equipment, net | 30,527 | 26,615 |
| Other assets | 226,911 | 226,798 |
| Total assets | \$ 593,208 | \$ 572,076 |
| Liabilities and shareholders' equity | | |
| Current liabilities | | |
| Current liabilities | \$ 99,052 | \$ 100,014 |
| Long-term liabilities | 137,192 | 123,464 |
| Total liabilities | 236,244 | 223,478 |
| Shareholders' equity | 356,964 | 348,598 |
| Total liabilities and shareholders' equity | \$ 593,208 | \$ 572,076 |

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

| | Thirty-nine Weeks Ended | |
|--|-------------------------|-----------------------|
| | September 29, 2006 | September 30, 2005 |
| Cash Flows from Operating activities: | | |
| Net income | \$ 54,910 | \$ 46,592 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 7,909 | 6,864 |
| Provision for doubtful accounts | 5,445 | 5,921 |
| Deferred income taxes | (8,993) | (9,626) |
| Stock-based compensation | 5,129 | 1,027 |
| Excess tax benefits from stock-based compensation | (3,741) | — |
| Tax benefit on stock options | — | 3,742 |
| Other operating activities | 423 | 117 |
| Changes in operating assets and liabilities, exclusive of business acquired: | | |
| Accounts receivable | (27,366) | (43,130) |
| Income tax | 5,798 | 21,991 |
| Other assets | (6,559) | (6,401) |
| Accounts payable | (3,708) | 4,204 |
| Accrued wages and benefits | 529 | 3,072 |
| Workers' compensation claims reserve | 17,568 | 17,994 |
| Other current liabilities | (38) | (150) |

| | | |
|---|------------------|------------------|
| Net cash provided by operating activities | 47,306 | 52,217 |
| Cash Flows from Investing activities: | | |
| Capital expenditures | (10,141) | (4,208) |
| Maturities of marketable securities | 57,771 | 71,715 |
| Purchases of marketable securities | (59,410) | (58,200) |
| Increase in restricted cash and other assets | 284 | (18,338) |
| Purchase of CLP Holdings Corp., net of cash acquired | — | (45,955) |
| Other | (167) | (135) |
| Net cash used in investing activities | (11,663) | (55,121) |
| Cash Flows from Financing activities: | | |
| Purchase and retirement of common stock | (59,865) | — |
| Net proceeds from sale of stock through options and employee benefit plans | 3,385 | 7,262 |
| Excess tax benefits from stock-based compensation | 3,741 | — |
| Payments on debt | (1,013) | (1,553) |
| Net cash (used in) provided by financing activities | (53,752) | 5,709 |
| Effect of exchange rates on cash | 985 | (502) |
| Net change in cash and cash equivalents | (17,124) | 2,303 |
| Cash and cash equivalents, beginning of period | 82,155 | 87,555 |
| Cash and cash equivalents, end of period | <u>\$ 65,031</u> | <u>\$ 89,858</u> |