

**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): **January 31, 2007**

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 January 31, 2007, Labor Ready, Inc. (the "Company") issued a press release (the "Press Release") reporting its financial results for the fourth quarter ended December 29, 2006 and earnings guidance for the first quarter of 2007 and for the year 2007, 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 8.01. Other Events.

On January 31, 2007, the Company announced in a press release (the "Repurchase Press Release") that its Board of Directors has authorized the purchase of up to an additional \$75 million worth of shares of Labor Ready common stock in either open market or private transactions. The Company has \$13 million worth of common stock remaining for repurchase under a previously announced plan. Depending upon prevailing market conditions and other factors, there can be no assurance that any or all authorized shares will be purchased pursuant to the plan. The Repurchase Press Release is attached hereto as Exhibit 99.2 and incorporated herein by this reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

- 99.1. Press Release of the Company dated January 31, 2007.
- 99.2. Press Release of the Company dated January 31, 2007

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: January 31, 2007

By: /s/ Derrek Gafford
Derrek Gafford
Chief Financial Officer

FOR IMMEDIATE RELEASE:

LABOR READY REPORTS FOURTH QUARTER 2006 RESULTS

TACOMA, WA, January 31, 2007—Labor Ready, Inc. (NYSE: LRW) today reported revenue for the fourth quarter ended Dec. 29, 2006 of \$338.1 million, an increase of .3 percent from \$337.2 million for the fourth quarter of 2005. Net income for the fourth quarter of \$21.6 million, or \$0.42 per diluted share, increased from \$15.4 million, or \$0.28 per diluted share, during the same quarter a year ago.

Included in net income for the fourth quarter is \$.02 per diluted share resulting from retroactive approval of the Work Opportunity tax credit and \$.06 from the resolution of other tax matters which were accrued in earlier periods. Excluding the tax related items of \$.08 per diluted share, net income would have been \$17.4 million, an increase of 13 percent over the same quarter a year ago.

“Several of our operating markets have experienced revenue declines from a slowing economic environment,” said Labor Ready CEO Steve Cooper. “While we are focused on selling into multiple industries, the downward trends in new home construction experienced during the third and fourth quarters of 2006 have expanded to other industries and continued into the first quarter of 2007.”

Cooper continued, “Although we expect a decline in revenue during the first half of 2007, we are as confident as ever that the fundamental demand for our services is sound, and we are just working through cyclical adjustments in the labor markets, particularly construction.”

Revenue for the quarter from branches open 12 months or longer declined 2.2 percent over the comparable period a year ago, while branches opened in the past 12 months contributed growth of 2.7 percent.

Gross profit as a percentage of revenue remained strong at 32.6 percent, equal to the same quarter a year ago. The strong gross margin is a result of controlled workers’ compensation costs along with 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 approximately 40 percent since the beginning of 2003.

During the quarter the company repurchased 1.6 million of its outstanding shares for \$29 million. In 2006, the company repurchased a total of 4.2 million of its outstanding shares for \$89 million.

Labor Ready opened two new branches and closed 16 branches during the quarter resulting in 912 branches in operation at the end of 2006. The closures were concentrated in the United States and consolidated underperforming branches. The company opened 50 new branch locations in 2006, including 24 Labor Ready branches, 16 CLP Resources branches, and 10 Spartan Staffing branches. For 2007, the company is reducing the number of new branch locations to 20 from its previous estimate of 40.

For the first quarter of 2007, Labor Ready estimates revenue in the range of \$280 million to \$285 million, with net income per diluted share for the quarter in the range of \$.14 to \$.16. Revenue for the year 2007 is estimated to be in the range of \$1.34 billion to \$1.36 billion and net income per diluted share in the range of \$1.25 to \$1.30.

Management will discuss fourth quarter 2006 results on a conference call at 2 pm (PT), Wednesday Jan. 31, 2007. The conference call can be accessed on Labor Ready’s web site: 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) Labor Ready’s ability to timely 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, Labour 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 more than 300,000 customers and puts approximately 600,000 people to work through its more than 900 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

	Thirteen Weeks Ended		Fiscal Years Ended	
	December 29, 2006 (unaudited)	December 30, 2005	December 29, 2006 (unaudited)	December 30, 2005
Revenue from services	\$ 338,148	\$ 337,201	\$ 1,349,118	\$ 1,236,070
Cost of services	228,035	227,263	915,773	844,448
Gross profit	110,113	109,938	433,345	391,622
Selling, general and administrative expenses	83,158	84,302	318,681	286,460
Depreciation and amortization	2,455	2,739	10,364	9,603
Income from operations	24,500	22,897	104,300	95,559
Interest and other income, net	3,108	2,029	11,873	4,636
Income before tax expense	27,608	24,926	116,173	100,195
Income tax	6,046	9,497	39,701	38,174
Net income	\$ 21,562	\$ 15,429	\$ 76,472	\$ 62,021
Net income per common share:				
Basic	\$ 0.42	\$ 0.29	\$ 1.46	\$ 1.28
Diluted	\$ 0.42	\$ 0.28	\$ 1.45	\$ 1.18
Weighted average shares outstanding:				
Basic	51,026	53,327	52,418	48,421
Diluted	51,327	54,148	52,853	53,793

LABOR READY, INC.
SUMMARY CONSOLIDATED BALANCE SHEETS
In Thousands

	December 29, 2006 (unaudited)	December 30, 2005
Assets		
Current assets		
Cash and cash equivalents	\$ 107,944	\$ 82,155
Marketable securities	91,510	93,510
Accounts receivable, net	120,173	121,959
Other current assets	20,131	21,039
Total current assets	339,758	318,663
Property and equipment, net	31,949	26,615
Other assets	220,599	226,798
Total assets	\$ 592,306	\$ 572,076
Liabilities and shareholders' equity		
Current liabilities	\$ 101,385	\$ 100,014
Long-term liabilities	138,403	123,464
Total liabilities	239,788	223,478
Shareholders' equity	352,518	348,598
Total liabilities and shareholders' equity	\$ 592,306	\$ 572,076

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

	Fiscal Years Ended	
	December 29, 2006 (unaudited)	December 30, 2005
Cash Flows from Operating activities:		
Net income	\$ 76,472	\$ 62,021
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,364	10,087
Provision for doubtful accounts	7,215	9,569
Deferred income taxes	(3,169)	(658)
Stock-based compensation	6,377	1,517
Excess tax benefits from stock-based compensation	(3,527)	—
Tax benefit on stock options	—	6,031
Other operating activities	56	270
Changes in operating assets and liabilities, exclusive of business acquired:		
Accounts receivable	(5,429)	(24,173)
Income taxes	4,797	12,314
Other assets	(2,677)	(4,808)
Accounts payable	(3,068)	9,838
Accrued wages and benefits	(798)	5,406
Workers' compensation claims reserve	21,576	18,253
Other current liabilities	(38)	(225)
Net cash provided by operating activities	108,151	105,442
Cash Flows from Investing activities:		
Capital expenditures	(13,007)	(5,260)

Maturities of marketable securities	90,301	84,014
Purchases of marketable securities	(88,266)	(124,317)
Increase (decrease) in restricted cash and other assets	8,948	(24,072)
Purchase of CLP Holdings Corp., net of cash acquired	—	(45,963)
Other	214	(301)
Net cash used in investing activities	<u>(1,810)</u>	<u>(115,899)</u>
Cash Flows from Financing activities:		
Purchase and retirement of common stock	(88,744)	—
Net proceeds from sale of stock through options and employee benefit plans	5,293	8,649
Excess tax benefits from stock-based compensation	3,527	—
Payments on debt	(1,212)	(2,327)
Net cash provided by (used in) financing activities	<u>(81,136)</u>	<u>6,322</u>
Effect of exchange rates on cash	584	(1,265)
Net change in cash and cash equivalents	25,789	(5,400)
Cash and cash equivalents, beginning of year	82,155	87,555
Cash and cash equivalents, end of year	<u>\$ 107,944</u>	<u>\$ 82,155</u>

FOR IMMEDIATE RELEASE:

LABOR READY ANNOUNCES NEW \$75 MILLION STOCK REPURCHASE AUTHORIZATION

TACOMA, WA, January 31, 2007—Labor Ready, Inc. (NYSE: LRW) today announced that its Board of Directors has authorized the repurchase of up to an additional \$75 million worth of Labor Ready common stock in either open market or private transactions. The company also announced that it repurchased 1.6 million shares of Labor Ready common stock during the fourth quarter of 2006 for \$29 million. In 2006, the company repurchased a total of 4.2 million of its outstanding shares for a total of \$89 million. The company has \$13 million of common stock remaining for repurchase under a previous authorization.

The new \$75 million authorization combined with the existing \$13 million authorization provides for the repurchase of up to \$88 million worth of the company's common stock, which the company plans to complete by the end of 2007.

The statements regarding our stock repurchase plans may constitute forward-looking statements within the meaning of the federal securities laws. While we believe that the statements are reasonable, they are subject to risks and uncertainties, and our actual repurchases may differ due to, unexpected requirements for cash, including for acquisitions, changes in Labor Ready's business prospects, the market price of Labor Ready's stock, unexpected changes in the financial market conditions, and any other factors listed or discussed in the reports filed by Labor Ready with the Securities and Exchange Commission under the Securities Exchange Act of 1934. Labor Ready does not undertake, and expressly disclaims any obligation, to update or alter its statements whether as a result of new information, future events or otherwise, except as required by law.

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