

GRAVITY Co., Ltd.  
Form 6-K  
July 16, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 6-K  
REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934  
July 16, 2007  
GRAVITY Co., Ltd.**

(Translation of registrant's name into English)

14F Meritz Tower, 825-2 Yeoksam-Dong, Gangnam-Gu, Seoul, 135-934, Korea

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:  
 Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T  
Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T  
Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby  
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:  
 Yes  No

If  Yes  is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): n/a

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**GRAVITY REPORTS FIRST QUARTER OF 2007 RESULTS**

Seoul, South Korea July 16, 2007 GRAVITY Co., Ltd. (NasdaqGM: GRVY), an online game developer and publisher based in South Korea, today announced its unaudited financial results for the first quarter ended March 31, 2007, prepared in accordance with generally accepted accounting principles in the United States.

Revenues for the first quarter ended March 31, 2007 was KRW 10,513 million (US\$11,395 thousand), representing an 8.6% increase from KRW 9,683 million (US\$10,495 thousand) for the fourth quarter ended December 31, 2006 ( QoQ ) and a 3.7% increase from KRW 10,140 million (US\$10,990 thousand) for the first quarter ended March 31, 2006 ( YoY ).

Mr. Il Young Ryu, Chairman and Chief Executive Officer of Gravity, commented, We are currently conducting the open beta testing of Ragnarok Online™ and Emil Chronicle Online and the closed beta testing of Requiem Online and our casual game line-up, which includes Pucca Racing, W Baseball and Bodycheck Online. We anticipate increased revenues upon commercialization of these games beginning in the third quarter of 2007.

**REVIEW OF FINANCIAL RESULTS**

**Revenues**

Royalty and licensing fee revenues for the first quarter ended March 31, 2007 were KRW 7,285 million (US\$7,896 thousand), representing a 21.2% increase QoQ from KRW 6,010 million (US\$6,514 thousand) and a 7.0% increase YoY from KRW 6,811 million (US\$7,382 thousand). The increase was primarily driven by: (1) higher Japan revenues resulting from the micro-transaction model which had been implemented in the Japan market since December 2006; and (2) the introduction of micro-transactions in China and Taiwan beginning in January and February of 2007, respectively.

Subscription revenues for the first quarter of 2007 was KRW 2,062 million (US\$2,235 thousand), representing a 2.3% decrease QoQ and a 10.3% decrease YoY compared to KRW 2,111 million (US\$2,288 thousand) and KRW 2,300 million (US\$2,493 thousand), respectively. The decline resulted mainly from decreased Ragnarok Online revenues which has faced increased competition in Korea.

Mobile game revenues was KRW 787 million (US\$853 thousand) for the first quarter of 2007, representing a 31.7% decrease QoQ from KRW 1,153 million (US\$1,250 thousand) but a 26.1% increase YoY from KRW 624 million (US\$676 thousand).

Character merchandising, animation and other revenue was KRW 379 million (US\$411 thousand) for the first quarter of 2007, representing a 7.3% decrease QoQ from KRW 409 million (US\$443 thousand) and a 6.4% decrease YoY from KRW 405 million (US\$439 thousand).

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Cost of Revenues and Operating Expenses

Cost of revenues were KRW 3,964 million (US\$4,297 thousand) for the first quarter of 2007, representing a 4.5% decrease QoQ from KRW 4,150 million (US\$4,498 thousand) and a 4.8% decrease YoY from KRW 4,162 million (US\$4,511 thousand). Gravity's cost of revenues decreased QoQ primarily as a result of decreased outsourcing expenses related to the mobile game business and the amortization of intangible assets due to the impairment of certain intangible assets in 2006.

Operating expenses were KRW 7,612 million (US\$8,250 thousand) for the first quarter of 2007, representing a 56.3% decrease QoQ from KRW 17,408 million (US\$18,868 thousand) and a 7.5% increase YoY from KRW 7,080 million (US\$7,674 thousand). The decrease in operating expenses QoQ is attributed to decreased commissions paid in the first quarter of 2007, impairment losses on intangible assets in the fourth quarter of 2006 and a litigation charge in the fourth quarter of 2006 for the upcoming settlement of an outstanding securities class action lawsuit. The increase in operating expenses YoY resulted primarily from increased research and development expenses for developing Ragnarok Online II™.

Losses before income tax expenses and others was KRW 30 million (US\$33 thousand) for the first quarter of 2007, which represents a 99.7% decrease QoQ compared with KRW 11,480 million (US\$12,443 thousand) and a 94.4% decrease YoY compared with KRW 538 million (US\$583 thousand). The income tax expenses for the fourth quarter of 2006 which totaled KRW 12,485 million (US\$13,532 thousand) was unusually high because Gravity's management determined it more likely than not that Gravity and certain of its subsidiaries would not realize the benefits of the deferred income tax assets of KRW 16,337 million (US\$17,708 thousand) and thereby recognized the full allowance. As a result of the foregoing factors, Gravity recorded a net loss of KRW 973 million (US\$1,055 thousand) for the first quarter of 2007 compared with a net loss of KRW 24,096 million (US\$26,117 thousand) for the fourth quarter of 2006 and a net loss of KRW 440 million (US\$477 thousand) for the first quarter of 2006.

The balance of cash and cash equivalents and short-term financial instruments was KRW 75,588 million (US\$81,929 thousand) as of March 31, 2007.

Note: For convenience purposes only, the KRW amounts have been expressed in U.S. dollars at the rate of KRW 922.60 to US\$1.00, the noon buying rate in effect on June 30, 2007 as quoted by the Federal Reserve Bank of New York.

**About GRAVITY Co., Ltd.** -----

Based in Korea, Gravity is a developer and publisher of online games. Gravity's principal product, Ragnarok Online, is a popular online game in many markets, including Japan, Taiwan and Thailand, and is currently commercially offered in 22 markets. For more information about Gravity, please visit <http://www.gravity.co.kr>.

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**Forward-Looking Statements:**

Certain statements in this press release may include, in addition to historical information, forward-looking statements within the meaning of the safe-harbor provisions of the U.S. Private Securities Litigation Reform Act 1995.

Forward-looking statements can generally be identified by the use of forward-looking terminology, such as may, will, expect, intend, estimate, anticipate, believe project, or continue or the negative thereof or other similar words, although not all forward-looking statements contain these words. Investors should consider the information contained in our submissions and filings with the United States Securities and Exchange Commission (the SEC), including our registration statement on Form F-1, as amended, and our annual reports on Form 20-F, together with such other documents and we may submit to or file with the SEC from time to time, on Form 6-K. The forward-looking statements speak only as of this press release and we assume no duty to update them to reflect new, changing or unanticipated events or circumstances.

**Contact:**

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Chief Financial Officer / Investor Relations Officer  
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Telephone: +822-2019-6021

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**GRAVITY Co., Ltd.**  
**Consolidated Balance Sheet**

(In millions of KRW and in thousands of US\$)

|  | 31-Dec-06        |                     | As of<br>31-Mar-06 |                     | 31-Mar-07          |                     |
|--|------------------|---------------------|--------------------|---------------------|--------------------|---------------------|
|  | KRW<br>(audited) | US\$<br>(unaudited) | KRW<br>(unaudited) | US\$<br>(unaudited) | KRW<br>(unaudited) | US\$<br>(unaudited) |
| <b>Assets</b>                              |                  |                     |                    |                     |                    |                     |
| Current assets                             |                  |                     |                    |                     |                    |                     |
| Cash and cash equivalents                  | 35,314           | 38,277              | 26,346             | 28,556              | 10,674             | 11,569              |
| Short-term financial instruments           | 45,835           | 49,680              | 54,998             | 59,612              | 64,914             | 70,360              |
| Accounts receivable, net                   | 2,163            | 2,344               | 4,567              | 4,950               | 5,045              | 5,468               |
| Assets held for sale                       |                  |                     | 8,099              | 8,778               |                    |                     |
| Other current assets                       | 4,891            | 5,301               | 6,167              | 6,684               | 4,391              | 4,759               |
| Total current assets                       | 88,203           | 95,602              | 100,177            | 108,580             | 85,024             | 92,156              |
| Property and equipment, net                | 8,472            | 9,183               | 11,295             | 12,243              | 7,544              | 8,177               |
| Leasehold and other deposits               | 2,719            | 2,947               | 3,388              | 3,672               | 2,704              | 2,931               |
| Intangible assets                          | 10,393           | 11,265              | 12,467             | 13,513              | 9,886              | 10,715              |
| Goodwill                                   | 1,451            | 1,573               | 1,451              | 1,573               | 1,451              | 1,573               |
| Investment                                 | 9,776            | 10,596              | 889                | 964                 | 9,605              | 10,411              |
| Other non-current assets                   | 1,547            | 1,676               | 6,745              | 7,311               | 1,042              | 1,129               |
| Total assets                               | 122,561          | 132,842             | 136,412            | 147,856             | 117,256            | 127,092             |
| <b>Liabilities and shareholders equity</b> |                  |                     |                    |                     |                    |                     |
| Current liabilities                        |                  |                     |                    |                     |                    |                     |
| Accounts payable                           | 4,552            | 4,934               | 5,672              | 6,148               | 1,824              | 1,977               |
| Accrued litigation                         | 4,648            | 5,038               |                    |                     | 4,648              | 5,038               |
| Deferred income                            | 6,046            | 6,553               | 4,754              | 5,153               | 3,103              | 3,363               |
| Other current liabilities                  | 946              | 1,025               | 1,766              | 1,914               | 557                | 604                 |
| Total current liabilities                  | 16,192           | 17,550              | 12,192             | 13,215              | 10,132             | 10,982              |
| Long-term deferred income                  | 5,863            | 6,355               | 2,538              | 2,751               | 7,472              | 8,099               |
| Accrued severance benefits                 | 649              | 704                 | 564                | 611                 | 682                | 739                 |
| Deferred income tax liabilities            | 1,077            | 1,167               |                    |                     | 934                | 1,012               |
| Other non-current liabilities              | 638              | 694                 | 700                | 759                 | 680                | 737                 |
| Total liabilities                          | 24,419           | 26,469              | 15,994             | 17,336              | 19,900             | 21,569              |
| Minority interest                          | 29               | 31                  | 20                 | 22                  | 35                 | 38                  |
| Common stock                               | 3,474            | 3,765               | 3,474              | 3,765               | 3,474              | 3,765               |
| Additional paid-in capital                 | 74,694           | 80,960              | 75,001             | 81,293              | 74,818             | 81,095              |

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|   |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|
| Retained earnings                             | 20,322  | 22,027  | 42,146  | 45,682  | 19,349  | 20,972  |
| Accumulated other comprehensive income (loss) | (377)   | (409)   | (223)   | (242)   | (320)   | (347)   |
| Total shareholders equity                     | 98,113  | 106,343 | 120,398 | 130,498 | 97,321  | 105,485 |
| Total liabilities and shareholders equity     | 122,561 | 132,842 | 136,412 | 147,856 | 117,256 | 127,092 |

\* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW922.60 to US\$1.00, the noon buying rate in effect on June 30, 2007 as quoted by the Federal Reserve Bank of New York.

**GRAVITY Co., Ltd.**  
**Consolidated Statements of Operations**

(In millions of KRW and in thousands of US\$)

|  | 31-Dec-06   |             | Three months ended<br>31-Mar-06 |             | 31-Mar-07   |             |
|--|-------------|-------------|---------------------------------|-------------|-------------|-------------|
|  | (KRW)       | (US\$)      | (KRW)                           | (US\$)      | (KRW)       | (US\$)      |
|  | (unaudited) | (unaudited) | (unaudited)                     | (unaudited) | (unaudited) | (unaudited) |
| Revenues   |             |             |                                 |             |             |             |
| Online games-subscription revenue  | 2,111       | 2,288       | 2,300                           | 2,493       | 2,062       | 2,235       |
| Online games-royalties and license fees  | 6,010       | 6,514       | 6,811                           | 7,382       | 7,285       | 7,896       |
| Mobile games   | 1,153       | 1,250       | 624                             | 676         | 787         | 853         |
| Character merchandising, animation and other revenue   | 409         | 443         | 405                             | 439         | 379         | 411         |
| Total net revenues   | 9,683       | 10,495      | 10,140                          | 10,990      | 10,513      | 11,395      |
| Cost of revenues   | 4,150       | 4,498       | 4,162                           | 4,511       | 3,964       | 4,297       |
| Gross profit   | 5,533       | 5,997       | 5,978                           | 6,479       | 6,549       | 7,098       |
| Operating expenses   |             |             |                                 |             |             |             |
| Selling, general and administrative  | 10,262      | 11,123      | 5,307                           | 5,752       | 5,032       | 5,454       |
| Litigation Charges   | 4,648       | 5,038       |                                 |             |             |             |
| Research and development   | 2,498       | 2,707       | 1,773                           | 1,922       | 2,580       | 2,796       |
| Operating income (loss)  | (11,875)    | (12,871)    | (1,102)                         | (1,195)     | (1,063)     | (1,152)     |
| Other income (expenses)  |             |             |                                 |             |             |             |
| Interest income  | 720         | 780         | 799                             | 866         | 754         | 817         |
| Interest expense   | (42)        | (45)        | (38)                            | (41)        | (9)         | (10)        |
| Foreign currency gains (losses), net   | (331)       | (359)       | (155)                           | (168)       | 288         | 312         |
| Foreign currency forward transaction, net  | 15          | 16          | (28)                            | (30)        |             |             |
| Others, net  | 33          | 36          | (14)                            | (15)        |             |             |
| Income (loss) before income tax expense, minority interest and equity in losses of related joint venture | (11,480)    | (12,443)    | (538)                           | (583)       | (30)        | (33)        |
| Income tax expenses (benefit)  | 12,485      | 13,532      | (215)                           | (233)       | 766         | 830         |

|  |          |          |       |       |       |         |
|--|----------|----------|-------|-------|-------|---------|
| Income (loss) before minority interest and equity in loss of related joint venture | (23,965) | (25,975) | (323) | (350) | (796) | (863)   |
| Minority interest  | 7        | 8        | (1)   | (1)   | 6     | 7       |
| Cumulative effect of change in accounting principle                                | 849      | 920      |       |       |       |         |
| Equity in loss of related joint venture  | 973      | 1,054    | 118   | 128   | 171   | 185     |
| Net income (loss)  | (24,096) | (26,117) | (440) | (477) | (973) | (1,055) |

\* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW922.60 to US\$1.00, the noon buying rate in effect on June 30, 2007 as quoted by the Federal Reserve Bank of New York.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GRAVITY Co., Ltd.

Date: 7/16/2007

By: /s/ Jonathan J. Lee

Name: Jonathan J. Lee

Title: Chief Financial Officer and  
Investor Relations Officer

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Exhibit Index

| <b>Exhibit No.</b> | <b>Description</b>                 |
|--------------------|------------------------------------|
| 99.1               | Gravity s 2007 Q1 Earnings Release |