

GRAVITY Co., Ltd.
Form 6-K
September 10, 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**

September 10, 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 offices)

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):
82-_____

GRAVITY REPORTS SECOND QUARTER OF 2007 RESULTS

Seoul, South Korea September 10, 2007 GRAVITY Co., Ltd. (NasdaqGM: GRVY), an online game developer and publisher based in South Korea, today announced its unaudited financial results for the second quarter ended June 30, 2007, prepared in accordance with generally accepted accounting principles in the United States.

Revenues for the second quarter ended June 30, 2007 was KRW 9,408 million (US\$ 10,029 thousand), representing a 10.5% decrease from KRW 10,513 million for the first quarter ended March 31, 2007 (QoQ) and a 16.7% decrease from KRW 11,294 million for the second quarter ended June 30, 2006 (YoY). However, revenues for the first half ended June 30, 2007 was KRW 19,921 million (US\$ 21,236 thousand), representing a 2.0% increase from KRW 19,529 million for the second half ended December 31, 2006.

REVIEW OF FINANCIAL RESULTS

Revenues

Royalty and licensing fee revenues for the second quarter ended June 30, 2007 were KRW 5,627 million (US\$ 5,998 thousand), representing a 22.8% decrease QoQ from KRW 7,285 million and a 19.2% decrease YoY from KRW 6,966 million. The decrease was primarily due to: (1) increased competition in the global online gaming market and (2) the strengthening of the Korean Won against the Japanese Yen. Gravity derived KRW 3,873 million of royalty and licensing fee revenues from the Japanese market, which accounted for 68.8% of the total royalty and licensing fee revenues in the second quarter of 2007. However, royalty and licensing fee revenues for the first half ended June 30, 2007 was KRW 12,912 million (US\$ 13,764 thousand), representing a 4.6% increase from KRW 12,346 million for the second half ended December 31, 2006.

Subscription revenues for the second quarter of 2007 was KRW 1,846 million (US\$ 1,968 thousand), representing a 10.5% decrease QoQ and a 4.6% decrease YoY compared to KRW 2,062 million and KRW 1,935 million, respectively. The decline resulted mainly from decreased *Ragnarok Online* revenues which has faced increased competition in Korea.

Mobile game revenues was KRW 1,396 million (US\$ 1,487 thousand) for the second quarter of 2007, representing a 77.4% increase QoQ from KRW 787 million and a 9.2% increase YoY from KRW 1,278 million due to the revenues from the mobile item shop of *Time N Tales*.

Character merchandising, animation and other revenue was KRW 539 million (US\$ 576 thousand) for the second quarter of 2007, representing a 42.2% increase QoQ from KRW 379 million and a 51.7% decrease YoY from KRW 1,115 million.

Cost of Revenues and Operating Expenses

Cost of revenues were KRW 4,283 million (US\$ 4,566 thousand) for the second quarter of 2007, representing a 8.0% increase QoQ from KRW 3,964 million and a 11.0% decrease YoY from KRW 4,814 million. Gravity's cost of revenues increased primarily as a result of commissions paid relating to *Ragnarok Online II*™ Concert held in June 2007.

Operating expenses were KRW 7,977 million (US\$ 8,503 thousand) for the second quarter of 2007, representing a 4.8% increase QoQ from KRW 7,612 million and a 255.8% increase YoY from KRW 2,242 million. The increase in operating expenses QoQ is attributed to increased advertising expenses for *Ragnarok Online II*™ and *Emil Chronicle Online* in the second quarter of 2007 while the increase in operating expenses YoY is due to the reimbursement of fees relating to an investigation into an alleged accounting fraud by the former Chairman, as well as the sale of the company's building in the second quarter of 2006. However, operating expenses for the first half ended June 30, 2007 was KRW 15,589 million (US\$ 16,618 thousand), representing a 40.3% decrease from KRW 26,092 million for the second half ended December 31, 2006.

Loss before income tax expenses and others was KRW 2,566 million (US\$ 2,735 thousand) for the second quarter of 2007, which represents an 8,453.3% increase QoQ compared with KRW 30 million. Gravity recorded KRW 4,910 million of income before income tax expenses and others in the second quarter of 2006. However, losses before income tax expenses and others for the first half ended June 30, 2007 was KRW 2,596 million (US\$ 2,767 thousand), representing a 81.9% decrease from KRW 14,304 million for the second half ended December 31, 2006.

As a result of the foregoing factors, Gravity recorded a net loss of KRW 3,415 million (US\$ 3,640 thousand) for the second quarter of 2007 compared with a net loss of KRW 973 million for the first quarter of 2007 and a net income of KRW 4,469 million for the second quarter of 2006. However, the net loss for the first half ended June 30, 2007 was KRW 4,388 million (US\$ 4,677 thousand), representing a 83.3% decrease from KRW 26,294 million for the second half ended December 31, 2006.

The balance of cash and cash equivalents and short-term financial instruments was KRW 75,640 million (US\$ 80,631 thousand) as of June 30, 2007.

CONFERENCE CALL

Gravity will hold a conference call to discuss the Company's financial results for the second quarter ended June 30, 2007 on Monday, September 10, 2007 at 8:00 P.M. U.S. Eastern Standard Time (Tuesday, September 11, 2007 at 9:00 A.M. Seoul time).

To participate in the conference call, please dial one of the following numbers 10 minutes prior to the call with a verbal pass code VL60201:

U.S. Toll Free Number: 1-877-627-3548

South Korea Toll Free Number: 00-30-813-1585

International Access Number: +1-302-607-2018

Note: For convenience purposes only, the KRW amounts have been expressed in U.S. dollars at the rate of KRW 938.10 to US\$ 1.00, the noon buying rate in effect on August 31, 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>.

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:

Mr. Jonathan J. Lee
Chief Financial Officer / Investor Relations Officer
Gravity Co., Ltd.
Email: jlee@gravity.co.kr
Telephone: +822-2019-6021

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GRAVITY Co., Ltd.
Consolidated Balance Sheet

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

| | 31-Mar-07 | | As of 30-Jun-06 | | 30-Jun-07 | |
|--|--------------------|---------------------|----------------------------|---------------------|--------------------|---------------------|
| | KRW (unaudited) | US\$ (unaudited) | KRW (unaudited) | US\$ (unaudited) | KRW (unaudited) | US\$ (unaudited) |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | 10,674 | 11,378 | 16,825 | 17,935 | 23,712 | 25,277 |
| Short-term financial instruments | 64,914 | 69,197 | 64,705 | 68,974 | 51,928 | 55,354 |
| Accounts receivable, net | 5,045 | 5,378 | 4,570 | 4,872 | 4,262 | 4,543 |
| Other current assets | 4,391 | 4,681 | 8,561 | 9,126 | 3,653 | 3,894 |
| Total current assets | 85,024 | 90,634 | 94,661 | 100,907 | 83,555 | 89,068 |
| Property and equipment, net | 7,544 | 8,042 | 10,523 | 11,217 | 7,296 | 7,777 |
| Leasehold and other deposits | 2,704 | 2,882 | 3,121 | 3,327 | 2,257 | 2,406 |
| Intangible assets | 9,886 | 10,538 | 12,520 | 13,346 | 9,977 | 10,635 |
| Goodwill | 1,451 | 1,547 | 1,451 | 1,547 | 1,451 | 1,547 |
| Investments | 9,605 | 10,239 | 10,414 | 11,101 | 9,442 | 10,065 |
| Other non-current assets | 1,042 | 1,111 | 6,373 | 6,794 | 1,183 | 1,261 |
| Total assets | 117,256 | 124,993 | 139,063 | 148,239 | 115,161 | 122,759 |
| Liabilities and shareholders equity | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | 1,824 | 1,944 | 4,799 | 5,116 | 3,399 | 3,623 |
| Accrued litigation | 4,648 | 4,955 | | | 4,648 | 4,955 |
| Deferred income | 3,103 | 3,308 | 4,218 | 4,496 | 3,237 | 3,451 |
| Other current liabilities | 557 | 594 | 1,471 | 1,568 | 632 | 674 |
| Total current liabilities | 10,132 | 10,801 | 10,488 | 11,180 | 11,916 | 12,703 |
| Long-term deferred income | 7,472 | 7,965 | 2,235 | 2,382 | 7,782 | 8,295 |
| Accrued severance benefits | 682 | 727 | 611 | 651 | 686 | 731 |
| Deferred income tax liabilities | 934 | 995 | | | 768 | 819 |
| Other non-current liabilities | 680 | 725 | 711 | 759 | 60 | 64 |
| Total liabilities | 19,900 | 21,213 | 14,045 | 14,972 | 21,212 | 22,612 |
| Minority interest | 35 | 37 | 21 | 22 | 47 | 50 |
| Common stock | 3,474 | 3,703 | 3,474 | 3,703 | 3,474 | 3,703 |
| Additional paid-in capital | 74,818 | 79,755 | 75,118 | 80,075 | 74,872 | 79,812 |
| Retained earnings | 19,349 | 20,626 | 46,616 | 49,692 | 15,934 | 16,985 |

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| | | | | | | |
|---|---------|---------|---------|---------|---------|---------|
| Accumulated other comprehensive income (loss) | (320) | (341) | (211) | (225) | (378) | (403) |
| Total shareholders equity | 97,321 | 103,743 | 124,997 | 133,245 | 93,902 | 100,097 |
| Total liabilities and shareholders equity | 117,256 | 124,993 | 139,063 | 148,239 | 115,161 | 122,759 |

* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW938.10 to US\$1.00, the noon buying rate in effect on August 31, 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\$)

| | Three months ended | | | | Six months ended | | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
| | 31-Mar-07 (KRW) (unaudited) | 30-Jun-06 (KRW) (unaudited) | 30-Jun-07 (KRW) (unaudited) | 30-Jun-07 (US\$) (unaudited) | 31-Dec-06 (KRW) (unaudited) | 30-Jun-07 (KRW) (unaudited) | 30-Jun-07 (US\$) (unaudited) |
| Revenues | | | | | | | |
| Online games-subscription revenue | 2,062 | 1,935 | 1,846 | 1,968 | 4,184 | 3,908 | 4,166 |
| Online games-royalties and license fees | 7,285 | 6,966 | 5,627 | 5,998 | 12,346 | 12,912 | 13,764 |
| Mobile games | 787 | 1,278 | 1,396 | 1,487 | 1,938 | 2,183 | 2,327 |
| Character merchandising, animation and other revenue | 379 | 1,115 | 539 | 576 | 1,061 | 918 | 979 |
| Total net revenues | 10,513 | 11,294 | 9,408 | 10,029 | 19,529 | 19,921 | 21,236 |
| Cost of revenues | 3,964 | 4,814 | 4,283 | 4,566 | 8,770 | 8,247 | 8,791 |
| Gross profit | 6,549 | 6,480 | 5,125 | 5,463 | 10,759 | 11,674 | 12,445 |
| Operating expenses | | | | | | | |
| Selling, general and administrative | 5,032 | 5,591 | 5,745 | 6,124 | 16,657 | 10,777 | 11,488 |
| Litigation Charges | | | | | 4,648 | | |
| Research and development | 2,580 | 2,679 | 2,232 | 2,379 | 4,787 | 4,812 | 5,130 |
| Proceeds from the former chairman due to fraud | | (4,947) | | | | | |
| Gain on disposal of assets held for sale | | (1,081) | | | | | |
| Operating income (loss) | (1,063) | 4,238 | (2,852) | (3,040) | (15,333) | (3,915) | (4,173) |
| Other income (expenses) | | | | | | | |
| Interest income | 754 | 690 | 790 | 842 | 1,485 | 1,544 | 1,646 |
| Interest expense | (9) | (19) | (6) | (6) | (38) | (15) | (16) |
| Foreign currency gains (losses), net | 288 | 65 | (694) | (740) | (638) | (406) | (433) |
| Gain (loss) on foreign currency forward transaction, net | | (39) | | | 219 | | |
| Others, net | | (25) | 196 | 209 | 1 | 196 | 209 |
| Income (loss) before income tax expense, minority interest and equity in loss of related joint | (30) | 4,910 | (2,566) | (2,735) | (14,304) | (2,596) | (2,767) |

venture

| | | | | | | | |
|--|-------|-------|---------|---------|----------|---------|---------|
| Income tax expenses | 766 | 426 | 674 | 718 | 11,858 | 1,440 | 1,535 |
| Income (loss) before minority interest and equity in loss of related joint venture | (796) | 4,484 | (3,240) | (3,453) | (26,162) | (4,036) | (4,302) |
| Minority interest | 6 | | 12 | 13 | 8 | 18 | 19 |
| Equity in loss of related joint venture | 171 | 15 | 163 | 174 | 973 | 334 | 356 |
| Cumulative effect of change in accounting principle | | | | | 849 | | |
| Net income (loss) | (973) | 4,469 | (3,415) | (3,640) | (26,294) | (4,388) | (4,677) |

* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW938.10 to US\$1.00, the noon buying rate in effect on August 31, 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: 9/10/2007

By: /s/ Jonathan J. Lee

Name: Jonathan J. Lee

Title: Chief Financial Officer and Investor Relations Officer

Exhibit Index

| Exhibit No. | Description |
|--------------------|------------------------------------|
| 99.1 | Gravity's 2007 Q2 Earnings Release |