

GRAVITY Co., Ltd.  
Form 6-K  
May 22, 2014

**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**

**For the month of May 2014**

**Commission File Number 000-51138**

**GRAVITY CO., LTD.**

(Translation of registrant's name into English)

**15F, 396 World Cup buk-ro, Mapo-gu, Seoul 121-795, 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 x 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):



**GRAVITY REPORTS FIRST QUARTER OF 2014 RESULTS**

Seoul, South Korea May 22, 2014 GRAVITY Co., Ltd. (NasdaqGM: GRVY) ( Gravity or the Company ), an online game developer and publisher based in South Korea, today announced its unaudited financial results for the first quarter ended March 31, 2014, prepared in accordance with generally accepted accounting principles in the United States.

Revenues for the first quarter ended March 31, 2014 were KRW 10,767 million (US\$10,113 thousand), representing a 4.6% increase from KRW 10,294 million for the fourth quarter ended December 31, 2013 ( QoQ ) and a 8.7% decrease from KRW 11,796 million for the first quarter ended March 31, 2013 ( YoY ).

Review of financial results

Revenues

Royalty and license fee revenue for the first quarter ended March 31, 2014 was KRW 3,575 million (US\$3,358 thousand), representing a 25.8% decrease QoQ from KRW 4,821 million and a 46.3% decrease YoY from KRW 6,654 million. The decrease QoQ was mainly due to revenues from a lump-sum recognition of a portion of the license fees for the license and distribution agreement for *Ragnarok Online II* in China in the fourth quarter of 2013 due to its termination in November 2013, which did not occur in the first quarter of 2014. The decrease YoY was primarily due to decreased revenues from *Ragnarok Online* in Japan.

Subscription revenue for the first quarter 2014 was KRW 1,890 million (US\$1,775 thousand), representing a 107.5% increase QoQ but a 3.0% decrease YoY compared to KRW 911 million and KRW 1,948 million, respectively. The increase QoQ was mostly driven by increased revenues from *Ragnarok Online* in Korea. The decrease YoY was mainly due to a decrease in revenues from *Ragnarok Online* in the United States and Canada.

Mobile games and applications revenue was KRW 4,317 million (US\$4,055 thousand) for the first quarter 2014, representing a 15.5% increase QoQ from KRW 3,739 million and a 85.8% increase YoY from KRW 2,323 million. The increase QoQ mostly resulted from increased revenues from *Ragnarok Online Uprising: Valkyrie* and revenues from *Road to Dragons*, which was launched in Korea in January 2014. The increase YoY was mainly attributable to increased revenues from mobile applications and mobile game operation service provided to third-party enterprises, and revenues from *Road to Dragons*.

Character merchandising and other revenue was KRW 985 million (US\$925 thousand) for the first quarter 2014, representing a 19.7% increase QoQ from KRW 823 million and a 13.1% increase YoY from KRW 871 million.

Cost of Revenues and Operating Expenses

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Cost of revenues was KRW 9,467 million (US\$8,892 thousand) for the first quarter 2014, representing a 9.4% decrease QoQ from KRW 10,445 million but a 28.0% increase YoY from KRW 7,397 million. The decrease QoQ was attributable to decrease in amortization on intangible assets and commission paid. The Company's increased cost of revenues YoY primarily resulted from increased commission paid related to our services provided for third-party enterprises and to digital storefronts where our mobile games are offered.

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Operating expenses were KRW 4,178 million (US\$3,924 thousand) for the first quarter 2014, representing a 61.7% decrease QoQ from KRW 10,904 million and a 29.8% decrease YoY from KRW 5,951 million. The decrease QoQ was mostly due to impairment losses on intangible assets in the fourth quarter of 2013, which did not occur in the first quarter of 2014. The decrease YoY was attributable to decreased salaries as a result of a decrease in the number of employees, and decreased research and development expenses.

Loss before income tax expenses and others was KRW 2,503 million (US\$2,351 thousand) for the first quarter of 2014, which represents a 77.3% decrease QoQ from loss before income tax expenses and others of KRW 11,045 million.

As a result of the foregoing factors, Gravity recorded a net loss attributable to parent company of KRW 2,969 million (US\$2,789 thousand) for the first quarter of 2014 compared to a net loss attributable to parent company of KRW 13,538 million for the fourth quarter of 2013 and a net loss attributable to parent company of KRW 1,629 million for the first quarter of 2013.

The balance of cash and cash equivalents and short-term financial instruments was KRW 46,776 million (US\$43,936 thousand) as of March 31, 2014.

Note: For convenience purposes only, the KRW amounts have been expressed in the U.S. dollars at the exchange rate of KRW 1,064.65 to US\$ 1.00, the noon buying rate in effect on March 31, 2014, 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 60 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 use of 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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## GRAVITY Co., Ltd.

## Consolidated Balance Sheets

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

|                                           | 31-Dec-13        |                   | As of<br>31-Mar-14 |                     |
|-------------------------------------------|------------------|-------------------|--------------------|---------------------|
|                                           | KRW<br>(audited) | US\$<br>(audited) | KRW<br>(unaudited) | US\$<br>(unaudited) |
| <b>Assets</b>                             |                  |                   |                    |                     |
| Current assets:                           |                  |                   |                    |                     |
| Cash and cash equivalents                 | 31,222           | 29,326            | 32,776             | 30,786              |
| Short-term financial instruments          | 18,000           | 16,907            | 14,000             | 13,150              |
| Accounts receivable, net                  | 5,333            | 5,009             | 5,294              | 4,973               |
| Other current assets                      | 4,096            | 3,847             | 3,993              | 3,750               |
| Total current assets                      | 58,651           | 55,089            | 56,063             | 52,659              |
| Property and equipment, net               | 2,315            | 2,174             | 1,968              | 1,848               |
| Leasehold and other deposits              | 5,569            | 5,231             | 5,570              | 5,232               |
| Intangible assets                         | 13,919           | 13,074            | 12,962             | 12,175              |
| Other non-current assets                  | 7,311            | 6,868             | 7,292              | 6,849               |
| Total assets                              | 87,765           | 82,436            | 83,855             | 78,763              |
| <b>Liabilities and Equity</b>             |                  |                   |                    |                     |
| Current liabilities:                      |                  |                   |                    |                     |
| Accounts payable                          | 4,374            | 4,108             | 3,472              | 3,261               |
| Deferred revenue                          | 5,782            | 5,431             | 6,215              | 5,838               |
| Other current liabilities                 | 1,244            | 1,169             | 1,195              | 1,122               |
| Total current liabilities                 | 11,400           | 10,708            | 10,882             | 10,221              |
| Long-term deferred revenue                | 6,875            | 6,458             | 6,511              | 6,116               |
| Accrued severance benefits                | 263              | 247               | 206                | 193                 |
| Other non-current liabilities             | 227              | 213               | 190                | 179                 |
| Total liabilities                         | 18,765           | 17,626            | 17,789             | 16,709              |
| Common shares                             | 3,474            | 3,263             | 3,474              | 3,263               |
| Additional paid-in capital(1)             | 75,076           | 70,517            | 63,656             | 59,791              |
| Accumulated deficit(1)                    | (10,889)         | (10,228)          | (2,438)            | (2,290)             |
| Accumulated other comprehensive income    | 1,674            | 1,573             | 1,654              | 1,553               |
| Total parent company shareholders' equity | 69,335           | 65,125            | 66,346             | 62,317              |
| Non-controlling interest                  | (335)            | (315)             | (280)              | (263)               |
| Total equity                              | 69,000           | 64,810            | 66,066             | 62,054              |
| Total liabilities and equity              | 87,765           | 82,436            | 83,855             | 78,763              |

\* For convenience purposes only, the KRW amounts are expressed in U.S. dollars at the rate of KRW1,064.65 to US\$1.00, the noon buying rate in effect on March 31, 2014 as quoted by the Federal Reserve Bank of New York.

(1) The Company disposed the accumulated deficit by transferring KRW 11,420 million out of KRW 75,076 million of its additional paid-in capital in the fiscal year 2013.





## GRAVITY Co., Ltd.

## Consolidated Statements of Operations

(In millions of KRW and thousands of US\$ except for share and ADS data)

|                                                                | 31-Dec-13            |                       | Three months ended<br>31-Mar-13 |                       | 31-Mar-14            |                       |
|----------------------------------------------------------------|----------------------|-----------------------|---------------------------------|-----------------------|----------------------|-----------------------|
|                                                                | (KRW)<br>(unaudited) | (US\$)<br>(unaudited) | (KRW)<br>(unaudited)            | (US\$)<br>(unaudited) | (KRW)<br>(unaudited) | (US\$)<br>(unaudited) |
| <b>Revenues:</b>                                               |                      |                       |                                 |                       |                      |                       |
| Online games-subscription revenue                              | 911                  | 856                   | 1,948                           | 1,830                 | 1,890                | 1,775                 |
| Online games-royalties and license fees                        | 4,821                | 4,528                 | 6,654                           | 6,250                 | 3,575                | 3,358                 |
| Mobile games and applications(1)                               | 3,739                | 3,512                 | 2,323                           | 2,182                 | 4,317                | 4,055                 |
| Character merchandising and other revenue(1)                   | 823                  | 773                   | 871                             | 818                   | 985                  | 925                   |
| Total net revenue                                              | 10,294               | 9,669                 | 11,796                          | 11,080                | 10,767               | 10,113                |
| Cost of revenue                                                | 10,445               | 9,811                 | 7,397                           | 6,948                 | 9,467                | 8,892                 |
| Gross profit (loss)                                            | (151)                | (142)                 | 4,399                           | 4,132                 | 1,300                | 1,221                 |
| <b>Operating expenses:</b>                                     |                      |                       |                                 |                       |                      |                       |
| Selling, general and administrative                            | 4,276                | 4,016                 | 4,407                           | 4,139                 | 3,366                | 3,162                 |
| Research and development                                       | 1,540                | 1,447                 | 1,392                           | 1,308                 | 812                  | 762                   |
| Impairment losses on intangible assets                         | 5,088                | 4,779                 | 152                             | 143                   |                      |                       |
| Total operating expenses                                       | 10,904               | 10,242                | 5,951                           | 5,590                 | 4,178                | 3,924                 |
| Operating loss                                                 | (11,055)             | (10,384)              | (1,552)                         | (1,458)               | (2,878)              | (2,703)               |
| <b>Other income (expenses):</b>                                |                      |                       |                                 |                       |                      |                       |
| Interest income                                                | 299                  | 281                   | 370                             | 348                   | 282                  | 265                   |
| Interest expense                                               | (4)                  | (4)                   | (11)                            | (10)                  | (3)                  | (3)                   |
| Foreign currency income (loss), net                            | (285)                | (267)                 | 60                              | 56                    | 96                   | 90                    |
| Loss before income tax expenses and equity loss on investments | (11,045)             | (10,374)              | (1,133)                         | (1,064)               | (2,503)              | (2,351)               |
| Income tax expenses                                            | 3,034                | 2,850                 | 875                             | 822                   | 410                  | 385                   |
| Loss before equity loss on investments                         | (14,079)             | (13,224)              | (2,008)                         | (1,886)               | (2,913)              | (2,736)               |
| Equity income (loss) on investments                            | 5                    | 5                     | (23)                            | (22)                  |                      |                       |
| Net loss                                                       | (14,074)             | (13,219)              | (2,031)                         | (1,908)               | (2,913)              | (2,736)               |
| <b>Net income (loss) attributable to:</b>                      |                      |                       |                                 |                       |                      |                       |
| Non-controlling interest                                       | (536)                | (503)                 | (402)                           | (378)                 | 56                   | 53                    |
| Parent company                                                 | (13,538)             | (12,716)              | (1,629)                         | (1,530)               | (2,969)              | (2,789)               |
| <b>Loss per share</b>                                          |                      |                       |                                 |                       |                      |                       |
| - Basic and diluted                                            | (1,948)              | (1.83)                | (234)                           | (0.22)                | (427)                | (0.40)                |
| <b>Weighted average number of shares outstanding</b>           |                      |                       |                                 |                       |                      |                       |

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|                     |           |           |           |           |           |           |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| - Basic and diluted | 6,948,900 | 6,948,900 | 6,948,900 | 6,948,900 | 6,948,900 | 6,948,900 |
| Loss per ADS(2)     |           |           |           |           |           |           |
| - Basic and diluted | (487)     | (0.46)    | (59)      | (0.06)    | (107)     | (0.10)    |

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\* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW1,064.65 to US\$1.00, the noon buying rate in effect on March 31, 2014 as quoted by the Federal Reserve Bank of New York.

(1) The Company reclassified certain revenue within Mobile games and applications revenue as Character merchandising, animation and other revenue in 2013 as this better represents the nature of the revenue, and the effect of such reclassification was reflected in each quarter of 2013. The reclassification has no effect on the Company's previously reported total net revenue and other line items on the consolidated financial statements.

(2) Each ADS represents one-fourth of a common share.

**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.

|        |                         |
|--------|-------------------------|
| By:    | /s/ Heung Gon Kim       |
| Name:  | Heung Gon Kim           |
| Title: | Chief Financial Officer |

Date: May 22, 2014