

GRAVITY Co., Ltd.
Form 6-K
August 12, 2011

**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 August, 2011

Commission File Number 000-51138

GRAVITY Co., Ltd.

(Translation of registrant's name into English)

Nuritkum Square Business Tower 15F, 1605 Sangam-Dong, Mapo-Gu, Seoul, Korea 121-795

(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):

GRAVITY REPORTS SECOND QUARTER OF 2011 RESULTS AND BUSINESS UPDATES

Seoul, South Korea August 12, 2011 GRAVITY Co., Ltd. (NasdaqGM: GRVY) (Gravity or Company), an online game developer and publisher based in South Korea, today announced its unaudited financial results for the second quarter ended June 30, 2011, prepared in accordance with generally accepted accounting principles in the United States, and business updates.

FINANCIAL RESULTS FOR THE SECOND QUARTER OF 2011

Revenues for the second quarter ended June 30, 2011 was KRW 14,584 million (US\$13,837 thousand), representing a 5.6% increase from KRW 13,810 million for the first quarter ended March 31, 2011 (QoQ) and a 28.8% increase from KRW 11,326 million for the second quarter ended June 30, 2010 (YoY).

Review of Financial Results

Revenues

Royalty and licensing fee revenues for the second quarter of 2011 were KRW 9,033 million (US\$8,570 thousand), representing a 3.6% increase QoQ from KRW 8,719 million and a 37.4% increase YoY from KRW 6,572 million. The increases QoQ and YoY were primarily due to the increased revenues from Ragnarok Online and H.A.V.E. Online, which was commercially launched in March 2011, in the Japanese market. The increase YoY was also attributable to the increased revenues from Ragnarok Online in Taiwan, Hong Kong and Macau and the revenues from Dragonica resulting from our acquisition of Gravity Games Corp., the developer of Dragonica in October 2010.

Subscription revenues for the second quarter of 2011 were KRW 2,922 million (US\$2,772 thousand), representing a 11.7% decrease QoQ from KRW 3,310 million but a 8.6% increase YoY from KRW 2,691 million. The decrease QoQ mainly resulted from the decreased revenues from Ragnarok Online in Korea. The increase YoY was primarily driven by the increased revenues from Ragnarok Online in Europe.

Mobile game revenues were KRW 2,469 million (US\$2,343 thousand) for the second quarter of 2011, representing a 45.2% increase QoQ from KRW 1,700 million and a 34.2% increase YoY from KRW 1,840 million.

Character merchandising and other revenues were KRW 160 million (US\$152 thousand) for the second quarter of 2011, representing a 97.5% increase QoQ from KRW 81 million and a 28.3% decrease YoY from KRW 223 million.

Cost of Revenue and Operating Expenses

Cost of revenue was KRW 6,234 million (US\$5,915 thousand) for the second quarter of 2011, representing a 15.8% increase QoQ from KRW 5,383 million and a 26.1% increase YoY from KRW 4,942 million. The increase QoQ was mostly from increased salaries for the headquarters, commission paid and outsourcing fee related to game development. The increase YoY was mainly attributable to increase in salaries due to the acquisition of Gravity Games Corp. in October 2010, and increased salaries for NeoCyon, Inc., the Company's subsidiary in Korea for mobile game business, and outsourcing fee related to game development.

Operating expenses were KRW 6,398 million (US\$6,070 thousand) for the second quarter of 2011, representing a 10.7% increase QoQ from KRW 5,779 million and a 4.7% increase YoY from KRW 6,112 million. The increase QoQ was mainly due to increased commission paid and advertising expenses. The increase YoY mostly resulted from increase in commission paid and salaries for the headquarters.

Income before income tax expenses and others was KRW 2,384 million (US\$2,262 thousand) for the second quarter of 2011, which represents a 20.6% decrease QoQ from KRW 3,002 million and a 72.3% increase YoY from KRW 1,384 million.

As a result of the foregoing factors, Gravity recorded a net income attributable to parent company of KRW 1,721 million (US\$1,633 thousand) for the second quarter of 2011 compared to KRW 2,408 million for the first quarter of 2011 and KRW 465 million for the second quarter of 2010.

The balance of cash and cash equivalents and short-term financial instruments was KRW 57,954 million (US\$54,985 thousand) as of June 30, 2011.

Note: For convenience purposes only, the KRW amounts have been expressed in U.S. dollars at the exchange rate of KRW 1,054.0 to US\$1.00, the noon buying rate in effect on July 29, 2011 as quoted by the Federal Reserve Bank of New York.

BUSINESS UPDATES

Ragnarok Online II delayed to the first quarter of 2012

The launch schedule of Ragnarok Online II, a sequel to Ragnarok Online, has been delayed to the first quarter of 2012.

After the second closed beta testing in July 2011, the Company has decided to postpone the release of Ragnarok Online II to work on final tweaks and polish.

Mr. Hyun Chul Park, CEO of Gravity said, "We want to assure everyone that our development team is working to launch Ragnarok Online II in the earliest time. We really appreciate our users showing continued patience and bearing with us. It will be worth the wait."

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 80 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 terms, 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. Heung Gon Kim
Chief Financial Officer

Gravity Co., Ltd.

Email: kheung@gravity.co.kr

Ms. Yoon Joo Lee

IR Manager

Gravity Co., Ltd.

Email: yoonyoo.lee@gravity.co.kr

Telephone: +82-2-2132-7800

#

GRAVITY Co., Ltd.
Consolidated Balance Sheet

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

| | As of | | | |
|-------------------------------------------|-----------|-------------|-------------|-------------|
| | 31-Dec-10 | | 30-Jun-11 | |
| | KRW | US\$ | KRW | US\$ |
| | (audited) | (unaudited) | (unaudited) | (unaudited) |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | 44,122 | 41,861 | 38,954 | 36,958 |
| Short-term financial instruments | 12,500 | 11,860 | 19,000 | 18,027 |
| Short-term available-for-sale investments | 5,000 | 4,744 | 5,060 | 4,801 |
| Accounts receivable, net | 8,242 | 7,820 | 5,468 | 5,188 |
| Other current assets | 6,479 | 6,147 | 7,369 | 6,991 |
| Total current assets | 76,343 | 72,432 | 75,851 | 71,965 |
| Property and equipment, net | 2,672 | 2,535 | 2,839 | 2,694 |
| Leasehold and other deposits | 1,711 | 1,623 | 1,684 | 1,598 |
| Intangible assets | 41,831 | 39,688 | 43,411 | 41,187 |
| Equity method investments | 1,336 | 1,268 | 1,294 | 1,228 |
| Other non-current assets | 1,597 | 1,515 | 1,279 | 1,212 |
| Total assets | 125,490 | 119,061 | 126,358 | 119,884 |
| Liabilities and Equity | | | | |
| Current liabilities: | | | | |
| Accounts payable | 6,641 | 6,301 | 5,793 | 5,496 |
| Deferred revenue | 5,611 | 5,324 | 5,206 | 4,939 |
| Other current liabilities | 1,813 | 1,720 | 1,313 | 1,246 |
| Total current liabilities | 14,065 | 13,345 | 12,312 | 11,681 |
| Long-term deferred revenue | 8,993 | 8,532 | 8,386 | 7,956 |
| Accrued severance benefits | 1,031 | 978 | 1,146 | 1,087 |
| Other non-current liabilities | 2,989 | 2,836 | 2,579 | 2,447 |
| Total liabilities | 27,078 | 25,691 | 24,423 | 23,171 |
| Common shares | 3,474 | 3,296 | 3,474 | 3,296 |
| Additional paid-in capital | 75,395 | 71,532 | 75,395 | 71,532 |
| Retained earnings | 4,995 | 4,739 | 9,124 | 8,657 |
| Accumulated other comprehensive income | 3,552 | 3,370 | 3,382 | 3,209 |
| Total parent company shareholders equity | 87,416 | 82,937 | 91,375 | 86,694 |
| Non-controlling interest | 10,996 | 10,433 | 10,560 | 10,019 |

Edgar Filing: GRAVITY Co., Ltd. - Form 6-K

| | | | | |
|------------------------------|---------|---------|---------|---------|
| Total equity | 98,412 | 93,370 | 101,935 | 96,713 |
| Total liabilities and equity | 125,490 | 119,061 | 126,358 | 119,884 |

* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW 1,054.0 to US\$1.00, the noon buying rate in effect on July 29, 2011 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\$, except for share and ADS data)

| | Three months ended | | | | Six months ended | | |
|---------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------------------|-----------------------------------|-----------------------|
| | 31-Mar-11 (KRW) (unaudited) | 30-Jun-10 (KRW) (unaudited) | 30-Jun-11 (KRW) (unaudited) | (US\$) (unaudited) | 30-Jun-10 (KRW) (unaudited) | 30-Jun-11 (KRW) (unaudited) | (US\$) (unaudited) |
| Revenues: | | | | | | | |
| Online games-subscription revenue | 3,310 | 2,691 | 2,922 | 2,772 | 5,125 | 6,232 | 5,913 |
| Online games-royalties and license fees | 8,719 | 6,572 | 9,033 | 8,570 | 13,056 | 17,752 | 16,843 |
| Mobile games | 1,700 | 1,840 | 2,469 | 2,343 | 3,679 | 4,169 | 3,955 |
| Character merchandising and other revenue | 81 | 223 | 160 | 152 | 585 | 241 | 228 |
| Total net revenue | 13,810 | 11,326 | 14,584 | 13,837 | 22,445 | 28,394 | 26,939 |
| Cost of revenue | 5,383 | 4,942 | 6,234 | 5,915 | 9,803 | 11,617 | 11,022 |
| Gross profit | 8,427 | 6,384 | 8,350 | 7,922 | 12,642 | 16,777 | 15,917 |
| Operating expenses: | | | | | | | |
| Selling, general and administrative | 4,749 | 5,291 | 5,671 | 5,380 | 9,626 | 10,420 | 9,886 |
| Research and development | 1,030 | 821 | 727 | 690 | 1,482 | 1,757 | 1,667 |
| Operating income | 2,648 | 272 | 1,952 | 1,852 | 1,534 | 4,600 | 4,364 |
| Other income (expenses): | | | | | | | |
| Interest income | 416 | 508 | 464 | 440 | 1,028 | 880 | 835 |
| Interest expense | (17) | (3) | (15) | (14) | (8) | (32) | (30) |
| Foreign currency gain (loss), net | (58) | 596 | (7) | (7) | 281 | (65) | (62) |
| Others, net | 13 | 11 | (10) | (9) | 61 | 3 | 3 |
| Income before income tax expenses and equity income (loss) on investments | 3,002 | 1,384 | 2,384 | 2,262 | 2,896 | 5,386 | 5,110 |
| Income tax expenses | 802 | 796 | 869 | 824 | 1,743 | 1,671 | 1,586 |

Edgar Filing: GRAVITY Co., Ltd. - Form 6-K

| | | | | | | | |
|---------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Income before equity income(loss) on investments | 2,200 | 588 | 1,515 | 1,438 | 1,153 | 3,715 | 3,524 |
| Equity income (loss) on investments | (12) | 120 | (9) | (9) | 279 | (21) | (20) |
| Net income | 2,188 | 468 | 1,506 | 1,429 | 874 | 3,694 | 3,504 |
| LESS: Net income attributable to the non-controlling interest | (220) | 3 | (215) | (204) | 28 | (435) | (413) |
| Net income attributable to parent company | 2,408 | 465 | 1,721 | 1,633 | 846 | 4,129 | 3,917 |
| Earnings per share - Basic and diluted | 347 | 67 | 247 | 0.23 | 122 | 594 | 0.56 |
| Weighted average number of shares outstanding | | | | | | | |
| - Basic and diluted | 6,948,900 | 6,948,900 | 6,948,900 | 6,948,900 | 6,948,900 | 6,948,900 | 6,948,900 |
| Earnings per ADS(1) | | | | | | | |
| - Basic and diluted | 87 | 17 | 62 | 0.06 | 31 | 149 | 0.14 |

* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW 1,054.0 to US\$1.00, the noon buying rate in effect on July 29, 2011 as quoted by the Federal Reserve Bank of New York.

(1) 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.

Date: August 12, 2011

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