

GRAVITY Co., Ltd.  
Form 6-K  
June 09, 2010

**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 June, 2010  
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):

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 2010 RESULTS AND BUSINESS UPDATES**

Seoul, South Korea June 9, 2010 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, 2010, prepared in accordance with generally accepted accounting principles in the United States, and business updates.

**FINANCIAL RESULTS FOR THE FIRST QUARTER 2010**

Revenues for the first quarter ended March 31, 2010 were KRW 11,119 million (US\$ 9,840 thousand), representing a 14.3% decrease from KRW 12,980 million for the fourth quarter ended December 31, 2009 ( QoQ ) and a 33.0% decrease from KRW 16,607 million for the first quarter ended March 31, 2009 ( YoY ).

**Review of financial results**

**Revenues**

Royalty and licensing fee revenues for the first quarter ended March 31, 2010 were KRW 6,484 million (US\$ 5,738 thousand), representing a 11.4% decrease QoQ from KRW 7,318 million and a 40.1% decrease YoY from KRW 10,816 million. The decrease was primarily resulted from decreased revenues from Ragnarok Online in the Japanese market and the strengthening of the Korean Won against the Japanese Yen.

Subscription revenue for the first quarter 2010 was KRW 2,435 million (US\$ 2,155 thousand), representing a 21.4% decrease QoQ and a 29.9% decrease YoY compared to KRW 3,097 million and KRW 3,475 million, respectively. The decrease was mainly attributable to the decreased revenues from Ragnarok Online in the U.S., Canada and Korea.

Mobile game revenues were KRW 1,839 million (US\$ 1,627 thousand) for the first quarter 2010, representing a 5.9% decrease QoQ from KRW 1,954 million and a 0.7% decrease YoY from KRW 1,852 million.

Character merchandising, animation and other revenue were KRW 361 million (US\$ 320 thousand) for the first quarter 2010, representing a 40.9% decrease QoQ from KRW 611 million and a 22.2% decrease YoY from KRW 464 million.

**Cost of Revenues and Operating Expenses**

Cost of revenues were KRW 4,861 million (US\$ 4,302 thousand) for the first quarter 2010, representing a 0.9% decrease QoQ from KRW 4,906 million and a 10.4% decrease YoY from KRW 5,427 million. The Company's decreased cost of revenues YoY was primarily attributable to decrease in salaries for our subsidiary in the U.S. and for the headquarters. The decrease in cost of revenues is also resulted from decrease in rent expenses of subsidiary in the U.S. due to relocation of the U.S. office in October 2009.

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Operating expenses were KRW 4,996 million (US\$ 4,421 thousand) for the first quarter 2010, representing a 29.9% decrease QoQ from KRW 7,130 million and a 11.8% decrease YoY from KRW 5,667 million. The decrease in operating expenses YoY was primarily due to decrease in commission paid and increase in other income resulting from reimbursement of withholding tax related to the settlement paid to Softsar Entertainment Inc. The decrease in operating expenses QoQ was mainly attributable to a loss on guarantee payment made in the fourth quarter of 2009 for development of Ice Age Online, due to the low likelihood of recovery as we received a written notice of termination of the license agreement from 20<sup>th</sup> Century Fox Licensing & Merchandising, the trademark licensor of Ice Age, in November 2009, as well as advertising expenses related to co-hosting Ragnarok World Championship in the fourth quarter of 2009, both of which did not occur in the first quarter of 2010.

Income before income tax expenses and others were KRW 1,512 million (US\$ 1,338 thousand) for the first quarter of 2010, which represents a 15.0% increase QoQ from KRW 1,315 million and a 78.4% decrease YoY from KRW 6,997 million.

As a result of the foregoing factors, Gravity recorded a net income attributable to parent company of KRW 381 million (US\$ 337 thousand) for the first quarter of 2010 compared to a net loss attributable to parent company of KRW 290 million for the fourth quarter of 2009 and a net income attributable to parent company of KRW 5,253 million for the first quarter of 2009.

The balance of cash and cash equivalents and short-term financial instruments was KRW 66,057 million (US\$ 58,458 thousand) as of March 31, 2010.

Note: For convenience purposes only, the KRW amounts have been expressed in the U.S. dollars at the exchange rate of KRW 1,130.00 to US\$ 1.00, the noon buying rate in effect on May 14, 2010, as quoted by the Federal Reserve Bank of New York.

#### BUSINESS UPDATES

##### Publishing Agreement for H.A.V.E. Online

The Company has entered into a publishing agreement with SK i-media Co., Ltd., an online game developer based in Korea, to publish H.A.V.E. Online, a casual TPS (Third Person Shooter) game, in Korea and Japan.

H.A.V.E. Online is expected to be released in the third quarter of 2010.

##### **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 59 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 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.

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

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

|  | As of            |                     |                    |                     |
|--|------------------|---------------------|--------------------|---------------------|
|  | 31-Dec-09        |                     | 31-Mar-10          |                     |
|  | KRW<br>(audited) | US\$<br>(unaudited) | KRW<br>(unaudited) | US\$<br>(unaudited) |
| <b>Assets</b>                                    |                  |                     |                    |                     |
| Current assets:                                  |                  |                     |                    |                     |
| Cash and cash equivalents                        | 51,333           | 45,427              | 35,057             | 31,024              |
| Short-term financial instruments                 | 16,000           | 14,159              | 31,000             | 27,434              |
| Short-term available-for-sale investments        | 4,973            | 4,401               | 5,034              | 4,455               |
| Accounts receivable, net                         | 5,907            | 5,227               | 5,391              | 4,771               |
| Other current assets                             | 4,686            | 4,148               | 5,825              | 5,154               |
| <b>Total current assets</b>                      | <b>82,899</b>    | <b>73,362</b>       | <b>82,307</b>      | <b>72,838</b>       |
| Property and equipment, net                      | 2,837            | 2,511               | 2,335              | 2,066               |
| Leasehold and other deposits                     | 1,496            | 1,324               | 1,546              | 1,368               |
| Intangible assets                                | 12,455           | 11,022              | 12,707             | 11,245              |
| Equity method investments                        | 1,100            | 973                 | 907                | 803                 |
| Other non-current assets                         | 1,651            | 1,461               | 1,601              | 1,417               |
| <b>Total assets</b>                              | <b>102,438</b>   | <b>90,653</b>       | <b>101,403</b>     | <b>89,737</b>       |
| <b>Liabilities and Equity</b>                    |                  |                     |                    |                     |
| Current liabilities:                             |                  |                     |                    |                     |
| Accounts payable                                 | 3,205            | 2,836               | 2,376              | 2,102               |
| Deferred revenue                                 | 3,750            | 3,319               | 3,672              | 3,249               |
| Other current liabilities                        | 1,293            | 1,144               | 1,050              | 930                 |
| <b>Total current liabilities</b>                 | <b>8,248</b>     | <b>7,299</b>        | <b>7,098</b>       | <b>6,281</b>        |
| Long-term deferred income                        | 9,658            | 8,547               | 9,321              | 8,249               |
| Accrued severance benefits                       | 478              | 423                 | 507                | 449                 |
| Other non-current liabilities                    | 444              | 393                 | 435                | 385                 |
| <b>Total liabilities</b>                         | <b>18,828</b>    | <b>16,662</b>       | <b>17,361</b>      | <b>15,364</b>       |
| Common shares                                    | 3,474            | 3,074               | 3,474              | 3,074               |
| Additional paid-in capital                       | 75,395           | 66,721              | 75,395             | 66,721              |
| Retained earnings                                | 1,265            | 1,119               | 1,646              | 1,457               |
| Accumulated other comprehensive income           | 3,262            | 2,888               | 3,288              | 2,910               |
| <b>Total parent company shareholders' equity</b> | <b>83,396</b>    | <b>73,802</b>       | <b>83,803</b>      | <b>74,162</b>       |

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|                              |         |        |         |        |
|------------------------------|---------|--------|---------|--------|
| Non-controlling interest     | 214     | 189    | 239     | 211    |
| Total equity                 | 83,610  | 73,991 | 84,042  | 74,373 |
| Total liabilities and equity | 102,438 | 90,653 | 101,403 | 89,737 |

\* For convenience purposes only, the KRW amounts are expressed in U.S. dollars at the rate of KRW1,130.00 to US\$1.00, the noon buying rate in effect on May 14, 2010 as quoted by the Federal Reserve Bank of New York.

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

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

|  | <b>31-Dec-09</b> |             | <b>Three months ended<br/>31-Mar-09</b> |             | <b>31-Mar-10</b> |             |
|--|------------------|-------------|---|-------------|------------------|-------------|
|  | (KRW)            | (US\$)      | (KRW)                                   | (US\$)      | (KRW)            | (US\$)      |
|  | (unaudited)      | (unaudited) | (unaudited)                             | (unaudited) | (unaudited)      | (unaudited) |
| Revenues:  |                  |             |   |             |                  |             |
| Online games-subscription revenue  | 3,097            | 2,741       | 3,475                                   | 3,075       | 2,435            | 2,155       |
| Online games-royalties and license fees  | 7,318            | 6,476       | 10,816                                  | 9,572       | 6,484            | 5,738       |
| Mobile games   | 1,954            | 1,729       | 1,852                                   | 1,639       | 1,839            | 1,627       |
| Character merchandising, animation and other revenue                               | 611              | 541         | 464                                     | 410         | 361              | 320         |
| Total net revenue  | 12,980           | 11,487      | 16,607                                  | 14,696      | 11,119           | 9,840       |
| Cost of revenue  | 4,906            | 4,342       | 5,427                                   | 4,802       | 4,861            | 4,302       |
| Gross profit   | 8,074            | 7,145       | 11,180                                  | 9,894       | 6,258            | 5,538       |
| Operating expenses:  |                  |             |   |             |                  |             |
| Selling, general and administrative  | 6,312            | 5,586       | 5,316                                   | 4,704       | 4,335            | 3,836       |
| Research and development   | 538              | 476         | 351                                     | 311         | 661              | 585         |
| Impairment losses on intangible assets   | 280              | 248         |   |             |                  |             |
| Operating income   | 944              | 835         | 5,513                                   | 4,879       | 1,262            | 1,117       |
| Other income (expenses):   |                  |             |   |             |                  |             |
| Interest income  | 595              | 527         | 737                                     | 652         | 520              | 460         |
| Interest expense   | (5)              | (4)         | (15)                                    | (13)        | (5)              | (5)         |
| Foreign currency income (losses), net  | (169)            | (150)       | 763                                     | 675         | (315)            | (279)       |
| Others, net  | (50)             | (44)        | (1)                                     | (1)         | 50               | 45          |
| Income before income tax expenses and equity loss of joint venture and partnership | 1,315            | 1,164       | 6,997                                   | 6,192       | 1,512            | 1,338       |
| Income tax expenses  | 962              | 852         | 1,405                                   | 1,243       | 947              | 838         |

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|  |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|
| Income before equity loss of related joint venture and partnership | 353        | 312        | 5,592      | 4,949      | 565        | 500        |
| Equity loss of joint venture and partnership                       | 626        | 554        | 321        | 284        | 159        | 141        |
| Net income (loss)  | (273)      | (242)      | 5,271      | 4,665      | 406        | 359        |
| LESS: Net income attributable to the non-controlling interest      | 17         | 15         | 18         | 16         | 25         | 22         |
| Net Income (loss) attributable to parent company                   | (290)      | (257)      | 5,253      | 4,649      | 381        | 337        |
| Earnings (loss) per share - Basic and diluted                      | (42)       | (0.04)     | 756        | 0.67       | 55         | 0.05       |
| 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  |
| Earnings (loss) per ADS - Basic and diluted                        | (10)       | (0.01)     | 189        | 0.17       | 14         | 0.01       |
| Weighted average number of ADSs outstanding - Basic and diluted    | 27,795,600 | 27,795,600 | 27,795,600 | 27,795,600 | 27,795,600 | 27,795,600 |

\* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW1,130.0 to US\$1.00, the noon buying rate in effect on May 14, 2010 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: June 9, 2010

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