

GRAVITY Co., Ltd.
Form 6-K
October 14, 2008

**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 October, 2008
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 121-270

(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

GRAVITY REPORTS SECOND QUARTER OF 2008 RESULTS

Seoul, South Korea October 14, 2008 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, 2008, prepared in accordance with generally accepted accounting principles in the United States.

Revenues for the second quarter ended June 30, 2008 was KRW 12,662 million (US\$10,597 thousand), representing a 1.1% increase from KRW 12,529 million for the first quarter ended March 31, 2008 (QoQ) and a 34.6% increase from KRW 9,408 million for the second quarter ended June 30, 2007 (YoY).

REVIEW OF FINANCIAL RESULTS

Revenues

Royalty and licensing fee revenues for the second quarter ended June 30, 2008 were KRW 6,742 million (US\$5,643 thousand), representing a 2.2% decrease QoQ from KRW 6,897 million but a 19.8% increase YoY from KRW 5,627 million. The decrease QoQ was primarily due to the decrease in Japan revenues while the increase YoY was resulted from the increase in Japan revenues. The weakening of the Korean Won by approximately 27% against the Japanese Yen from 2007 to 2008 also contributed to the increase YoY royalty revenues.

Subscription revenues for the second quarter of 2008 was KRW 3,082 million (US\$2,579 thousand), representing a 7.8% increase QoQ and a 67% increase YoY compared to KRW 2,860 million and KRW 1,846 million, respectively. The increases QoQ and YoY are primarily driven by the increase in Korea revenues due to the increase revenues from the micro-transaction model resulted from opening free-to-play servers in May 2008. The increased QoQ is also partly driven by commercialization of Requiem in the United States and Canada in June 2008. The increase YoY is partly attributed to commercialization of Emil Chronicle Online, Pucca Racing and Requiem in August, September and October 2007, respectively, in Korea.

Mobile game revenues was KRW 2,076 million (US\$1,737 thousand) for the second quarter of 2008, representing a 46.1% increase QoQ from KRW 1,421 million and a 48.7% increase YoY from KRW 1,396 million. The increases QoQ and YoY are principally due to the revenues from the newly released mobile games.

Character merchandising, animation and other revenue was KRW 762 million (US\$638 thousand) for the second quarter of 2008, representing a 43.6% decrease QoQ from KRW 1,351 million and a 41.4 % increase YoY from KRW 539 million. The decrease QoQ is primarily due to the sale of mobile phone accessories by NEOCYON, a subsidiary of the Company, to LG Electronics in the first quarter of 2008, which did not recur in the second quarter of 2008. The increase YoY is mainly resulted from the sale of data cables by NEOCYON to LG Electronics in the second quarter of 2008.

Cost of Revenues and Operating Expenses

Cost of revenues were KRW 7,505 million (US\$6,281 thousand) for the second quarter of 2008, representing no significant change QoQ from KRW 7,504 million and a 75.2% increase YoY from KRW 4,283 million. Gravity's increased cost of revenues YoY was primarily attributed to i) higher salaries of head quarters from the commercialization of new games and of L5 games Inc., which was established in October 2007; ii) the amortization of development-related costs from the commercialization of Emil Chronicle Online, Pucca Racing and Requiem in August, September and October of 2007, respectively; and iii) higher rent expenses of Gravity Interactive, Inc., L5 Games Inc. and Gravity EU SASU.

Operating expenses were KRW 5,881 million (US\$4,922 thousand) for the second quarter of 2008, representing a 12.4% decrease QoQ from KRW 6,711 million and a 26.3% decrease YoY from KRW 7,977 million. The decrease in operating expenses QoQ is mainly due to the decrease of rent expense of headquarter office in Seoul. The company moved to a new office on February 1, 2008 and the lease agreement of the old office expired on March 16, 2008. The rent expenses for both old and new offices occurred between February 1 and March 16. The YoY decrease in operating expenses is attributed to decreased R&D expenses and advertising expenses. The decrease in R&D expenses were converted into intangible assets (capitalized R&D cost) after open beta testing and into cost of revenues after commercialization.

Income before income tax expenses and others was KRW 220 million (US\$184 thousand) for the second quarter of 2008. The Company recorded losses before income tax expenses and others in the first quarter of 2008 and the second quarter of 2007, which were KRW 278 million and KRW 2,566 million, respectively.

As a result of the foregoing factors, Gravity recorded a net loss of KRW 665 million (US\$557 thousand) for the second quarter of 2008 compared with a net loss of KRW 1,370 million for the first quarter of 2008 and a net loss of KRW 3,415 million for the second quarter of 2007.

The balance of cash and cash equivalents and short-term financial instruments was KRW 54,429 million (US\$45,553 thousand) as of June 30, 2008.

Note: For convenience purposes only, the KRW amounts have been expressed in U.S. dollars at the rate of KRW 1,194.85 to US\$1.00, the noon buying rate in effect on October 1, 2008 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 23 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.

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GRAVITY Co., Ltd.
Consolidated Balance Sheet

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

| | As of | | | |
|---|---------------|---------------|---------------|---------------|
| | 31-Dec-07 | | 30-Jun-08 | |
| | KRW | US\$ | KRW | US\$ |
| Assets | (Audited) | (unaudited) | (unaudited) | (unaudited) |
| Current assets | | | | |
| Cash and cash equivalents | 53,588 | 44,849 | 51,750 | 43,311 |
| Short-term financial instruments | 8,715 | 7,294 | 2,679 | 2,242 |
| Accounts receivable, net | 4,820 | 4,034 | 7,479 | 6,259 |
| Other current assets | 5,544 | 4,640 | 5,107 | 4,275 |
| Total current assets | 72,667 | 60,817 | 67,015 | 56,087 |
| Property and equipment, net | 7,195 | 6,022 | 7,127 | 5,965 |
| Leasehold and other deposits | 2,412 | 2,019 | 2,174 | 1,819 |
| Intangible assets | 2,012 | 1,684 | 1,077 | 901 |
| Development cost | 9,674 | 8,096 | 10,545 | 8,825 |
| Goodwill | 1,451 | 1,214 | 1,451 | 1,214 |
| Investment | 20 | 17 | 3,810 | 3,189 |
| Other non-current assets | 1,496 | 1,252 | 1,502 | 1,257 |
| Total assets | 96,927 | 81,121 | 94,701 | 79,257 |
| Liabilities and shareholders equity | | | | |
| Current liabilities | | | | |
| Accounts payable | 4,573 | 3,827 | 3,713 | 3,108 |
| Deferred income | 3,639 | 3,046 | 3,473 | 2,907 |
| Current portion of deferred tax liabilities | 583 | 488 | 285 | 239 |
| Other current liabilities | 1,317 | 1,102 | 1,359 | 1,136 |
| Total current liabilities | 10,112 | 8,463 | 8,830 | 7,390 |
| Long-term deferred income | 10,245 | 8,574 | 10,212 | 8,547 |
| Accrued severance benefits | 715 | 598 | 584 | 489 |
| Deferred income tax liabilities | 49 | 41 | 54 | 45 |
| Other non-current liabilities | 262 | 220 | 149 | 125 |
| Total liabilities | 21,383 | 17,896 | 19,829 | 16,596 |
| Minority interest | 68 | 57 | 108 | 90 |
| Common stock | 3,474 | 2,907 | 3,474 | 2,907 |
| Additional paid-in capital | 75,126 | 62,875 | 75,235 | 62,966 |
| Retained earnings | (2,879) | (2,410) | (4,914) | (4,113) |
| Accumulated other comprehensive income (loss) | (245) | (204) | 969 | 811 |

| | | | | |
|---|--------|--------|--------|--------|
| Total shareholders equity | 75,476 | 63,168 | 74,764 | 62,571 |
| Total liabilities and shareholders equity | 96,927 | 81,121 | 94,701 | 79,257 |

* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW1,194.85 to US\$1.00, the noon buying rate in effect on October 1, 2008 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-08 (KRW) (unaudited) | 30-Jun-07 (KRW) (unaudited) | 30-Jun-08 (KRW) (unaudited) | 30-Jun-08 (US\$) (unaudited) | 30-Jun-07 (KRW) (unaudited) | 30-Jun-08 (KRW) (unaudited) | 30-Jun-08 (US\$) (unaudited) |
| Revenues | | | | | | | |
| Online games-subscription revenue | 2,860 | 1,846 | 3,082 | 2,579 | 3,908 | 5,942 | 4,973 |
| Online games-royalties and license fees | 6,897 | 5,627 | 6,742 | 5,643 | 12,912 | 13,639 | 11,415 |
| Mobile games | 1,421 | 1,396 | 2,076 | 1,737 | 2,183 | 3,497 | 2,927 |
| Character merchandising, animation and other revenue | 1,351 | 539 | 762 | 638 | 918 | 2,113 | 1,768 |
| Total net revenues | 12,529 | 9,408 | 12,662 | 10,597 | 19,921 | 25,191 | 21,083 |
| Cost of revenues | 7,504 | 4,283 | 7,505 | 6,281 | 8,247 | 15,009 | 12,561 |
| Gross profit | 5,025 | 5,125 | 5,157 | 4,316 | 11,674 | 10,182 | 8,522 |
| Operating expenses | | | | | | | |
| Selling, general and administrative | 5,928 | 5,745 | 5,272 | 4,412 | 10,777 | 11,200 | 9,374 |
| Research and development | 783 | 2,232 | 609 | 510 | 4,812 | 1,392 | 1,165 |
| Operating income (loss) | (1,686) | (2,852) | (724) | (606) | (3,915) | (2,410) | (2,017) |
| Other income (expenses) | | | | | | | |
| Interest income | 702 | 790 | 702 | 588 | 1,544 | 1,403 | 1,174 |
| Interest expense | (4) | (6) | (6) | (5) | (15) | (10) | (8) |
| Foreign currency gains (losses), net | 713 | (694) | 248 | 207 | (406) | 961 | 804 |
| Others, net | (3) | 196 | | | 196 | (3) | (3) |
| Income (loss) before income tax expense, minority interest and equity in loss of related joint venture | (278) | (2,566) | 220 | 184 | (2,596) | (59) | (50) |

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| | | | | | | | |
|---|---------|---------|-------|-------|---------|---------|---------|
| Income tax expenses (benefit) | 849 | 674 | 808 | 676 | 1,440 | 1,657 | 1,386 |
| Income (loss) before minority interest and equity in loss of related joint venture | (1,127) | (3,240) | (588) | (492) | (4,036) | (1,716) | (1,436) |
| Minority interest | 22 | 12 | 18 | 15 | 18 | 39 | 33 |
| Equity in loss of related joint venture | 221 | 163 | 59 | 50 | 334 | 280 | 234 |
| Net loss | (1,370) | (3,415) | (665) | (557) | (4,388) | (2,035) | (1,703) |

* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW1,194.85 to US\$1.00, the noon buying rate in effect on October 1, 2008 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: October 14, 2008

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