

GRAVITY Co., Ltd.  
Form 6-K  
August 29, 2012

**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, 2012

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)

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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 2012 RESULTS AND BUSINESS UPDATES**

Seoul, South Korea August 29, 2012 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, 2012, prepared in accordance with generally accepted accounting principles in the United States, and business updates.

**FINANCIAL RESULTS FOR THE SECOND QUARTER OF 2012**

Revenues for the second quarter ended June 30, 2012 was KRW 14,084 million (US\$ 12,455 thousand), representing a 13.9% decrease from KRW 16,357 million for the first quarter ended March 31, 2012 ( QoQ ) and a 3.4% decrease from KRW 14,584 million for the second quarter ended June 30, 2011 ( YoY ).

**Review of Financial Results**

**Revenues**

Royalty and licensing fee revenues for the second quarter of 2012 were KRW 8,109 million (US\$ 7,171 thousand), representing a 6.9% decrease QoQ from KRW 8,710 million and a 10.2% decrease YoY from KRW 9,033 million. The decreases QoQ and YoY were primarily due to decreased revenues from *Ragnarok Online* in Japan, Taiwan, Hong Kong and Macau.

Subscription revenues for the second quarter of 2012 were KRW 2,151 million (US\$ 1,902 thousand), representing a 49.3% decrease QoQ from KRW 4,241 million and a 26.4% decrease YoY from KRW 2,922 million. The decrease QoQ mainly resulted from decreased revenues from *Finding Neverland Online* and *Ragnarok Online* in Korea. The decrease YoY was mostly attributable to Gravity EU SASU, our former wholly-owned subsidiary in France, no longer being consolidated as a result of the Company's ownership reduction to 25% in July 2011 as well as decreased revenues from *Ragnarok Online* in Korea and overall decline in revenues in the United States and Canada.

Mobile game revenues were KRW 2,246 million (US\$ 1,986 thousand) for the second quarter of 2012, representing a 10.3% increase QoQ from KRW 2,037 million but a 9.0% decrease YoY from KRW 2,469 million.

Character merchandising and other revenues were KRW 1,578 million (US\$ 1,396 thousand) for the second quarter of 2012, representing a 15.3% increase QoQ from KRW 1,369 million and a 886.3% increase YoY from KRW 160 million. The increases QoQ and YoY were mostly driven by sales of goods related to mobile phones. The increase YoY was also due to revenues from *Ragnarok Odyssey*, an action game on PS Vita platform, based on *Ragnarok Online*, which was commercially released in Japan in February 2012.

**Cost of Revenue and Operating Expenses**

Cost of revenue was KRW 9,691 million (US\$ 8,570 thousand) for the second quarter of 2012, representing a 42.0% increase QoQ from KRW 6,827 million and a 55.5% increase YoY from KRW 6,234 million. The increases QoQ and YoY were mostly from increases in i) amortization on intangible assets primarily from development costs of *Ragnarok Online II*; ii) cost of goods sold by NeoCyon resulting from its increase in sales of goods related to mobile phones; and iii) salaries primarily attributable to the commercial launch of *Ragnarok Online* in March 2012.

Operating expenses were KRW 6,121 million (US\$ 5,413 thousand) for the second quarter of 2012, representing a 25.2% decrease QoQ from KRW 8,179 million and a 4.3% decrease YoY from KRW 6,398 million. The decreases QoQ was mainly due to advertising expenses, mainly consisting of marketing expenses for open beta testing and commercialization of *Finding Neverland Online* and *Ragnarok Online* in the previous quarter, which decreased significantly in the second quarter of 2012 and gain on disposition of our 25% of equity interest in Ingamba LLC, a joint venture company established in April 2010 for online game service in Russia, in June 2012. The decrease YoY resulted from gain on disposition of our equity interest in Ingamba LLC, and decreased professional service fees and commission paid as well as decreased salaries for the headquarters.

Loss before income tax expenses and others was KRW 1,048 million (US\$ 927 thousand) for the second quarter of 2012 compared with income before income tax expenses and others of KRW 1,656 million for the first quarter of 2012 and income before income tax expenses and others of KRW 2,384 million for the second quarter of 2011.

As a result of the foregoing factors, Gravity swung to a net loss attributable to parent company of KRW 1,126 million (US\$ 996 thousand) for the second quarter of 2012 compared with a net income attributable to parent company of KRW 1,128 million for the first quarter of 2012 and a net income attributable to parent company of KRW 1,721 million for the second quarter of 2011.

The balance of cash and cash equivalents and short-term financial instruments was KRW 55,288 million (US\$ 48,895 thousand) as of June 30, 2012.

Note: For convenience purposes only, the KRW amounts have been expressed in U.S. dollars at the exchange rate of KRW 1,130.75 to US\$ 1.00, the noon buying rate in effect on August 10, 2012 as quoted by the Federal Reserve Bank of New York.

#### BUSINESS UPDATES

*Ragnarok Online* to be launched in Singapore and Malaysia in the fourth quarter of 2012  
Singapore and Malaysia are expected to be the first overseas markets where *Ragnarok Online* is to be released. The Company and AsiaSoft Online Pte. Ltd., the licensee of *Ragnarok Online II* in Singapore and Malaysia, have agreed to commercially offer the game in these markets in the fourth quarter of 2012.

Mr. Hyun Chul Park, CEO of Gravity said, "The performance of *Ragnarok Online* in Korea is below our expectations. However, I believe that we have overcome most of the technical problems in the early stages and that we are ready to release the game in the overseas markets where the game is eagerly anticipated."

The service language of *Ragnarok Online* in Singapore and Malaysia will be English. The Company is also planning to launch the English version of the game in some other markets in the near future after localizing the content to tailor the game to local cultural preferences of each market.

**Gravity strengthening its presence in the mobile game industry**  
Gravity has been enhancing its mobile game lineup by releasing more smartphone games with up-to-date technology, based on its flagship title *Ragnarok Online*. In particular, *Ragnarok Online Uprising: Valkyrie*, a mobile massively multiplayer online role playing game for iOS and Android released in Korea is surging in popularity with more than 430,000 cumulative downloads in less than three months since its launch in May 2012. *Ragnarok Online Uprising: Valkyrie* is a cross-platform game which allows users to play the game on one server regardless of their operating system.

The Company intends to release *Ragnarok Online Uprising: Valkyrie* in other markets, such as China and Taiwan, in 2012 and more other smartphone games will be available later in 2012.

**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 79 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 ne 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-11		30-Jun-12	
	KRW	US\$	KRW	US\$
	(audited)	(unaudited)	(unaudited)	(unaudited)
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	42,430	37,524	37,288	32,976
Short-term financial instruments	15,000	13,266	18,000	15,919
Accounts receivable, net	6,436	5,692	6,035	5,337
Other current assets	7,967	7,045	7,549	6,676
<b>Total current assets</b>	<b>71,833</b>	<b>63,527</b>	<b>68,872</b>	<b>60,908</b>
Property and equipment, net	2,731	2,415	4,195	3,710
Leasehold and other deposits	5,924	5,239	5,928	5,243
Intangible assets	42,163	37,288	41,792	36,960
Equity method investments	1,444	1,277	1,063	940
Other non-current assets	8,783	7,767	8,755	7,742
<b>Total assets</b>	<b>132,878</b>	<b>117,513</b>	<b>130,605</b>	<b>115,503</b>
<b>Liabilities and Equity</b>				
Current liabilities:				
Accounts payable	5,552	4,910	5,756	5,090
Deferred revenue	4,663	4,124	3,557	3,146
Other current liabilities	1,847	1,633	1,398	1,236
<b>Total current liabilities</b>	<b>12,062</b>	<b>10,667</b>	<b>10,711</b>	<b>9,472</b>
Long-term deferred revenue	7,457	6,595	7,768	6,870
Accrued severance benefits	916	810	911	806
Other non-current liabilities	1,784	1,578	1,373	1,214
<b>Total liabilities</b>	<b>22,219</b>	<b>19,650</b>	<b>20,763</b>	<b>18,362</b>
Common shares	3,474	3,072	3,474	3,072
Additional paid-in capital	75,395	66,677	75,395	66,677
Retained earnings	19,923	17,619	19,925	17,621
Accumulated other comprehensive income	3,042	2,690	3,006	2,659
<b>Total parent company shareholders' equity</b>	<b>101,834</b>	<b>90,059</b>	<b>101,800</b>	<b>90,029</b>
<b>Non-controlling interest</b>	<b>8,825</b>	<b>7,805</b>	<b>8,042</b>	<b>7,112</b>
<b>Total equity</b>	<b>110,659</b>	<b>97,863</b>	<b>109,842</b>	<b>97,141</b>
<b>Total liabilities and equity</b>	<b>132,878</b>	<b>117,513</b>	<b>130,605</b>	<b>115,503</b>

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\* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW 1,130.75 to US\$1.00, the noon buying rate in effect on August 10, 2012 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-12 (KRW) (unaudited)	30-Jun-11 (KRW) (unaudited)	30-Jun-12 (KRW) (unaudited)	(US\$) (unaudited)	30-Jun-11 (KRW) (unaudited)	30-Jun-12 (KRW) (unaudited)	(US\$) (unaudited)
<b>Revenues:</b>							
Online games-subscription revenue	4,241	2,922	2,151	1,902	6,232	6,392	5,653
Online games-royalties and license fees	8,710	9,033	8,109	7,171	17,752	16,819	14,874
Mobile games	2,037	2,469	2,246	1,986	4,169	4,283	3,788
Character merchandising and other revenue	1,369	160	1,578	1,396	241	2,947	2,606
<b>Total net revenue</b>	<b>16,357</b>	<b>14,584</b>	<b>14,084</b>	<b>12,455</b>	<b>28,394</b>	<b>30,441</b>	<b>26,921</b>
Cost of revenue	6,827	6,234	9,691	8,570	11,617	16,518	14,608
<b>Gross profit</b>	<b>9,530</b>	<b>8,350</b>	<b>4,393</b>	<b>3,885</b>	<b>16,777</b>	<b>13,923</b>	<b>12,313</b>
<b>Operating expenses:</b>							
Selling, general and administrative	6,792	5,671	4,721	4,175	10,420	11,513	10,182
Research and development	1,387	727	1,400	1,238	1,757	2,787	2,465
<b>Total operating expenses</b>	<b>8,179</b>	<b>6,398</b>	<b>6,121</b>	<b>5,413</b>	<b>12,177</b>	<b>14,300</b>	<b>12,647</b>
<b>Operating income (loss)</b>	<b>1,351</b>	<b>1,952</b>	<b>(1,728)</b>	<b>(1,528)</b>	<b>4,600</b>	<b>(377)</b>	<b>(334)</b>
<b>Other income (expenses):</b>							
Interest income	476	464	458	405	880	934	826
Interest expense	(11)	(15)	(14)	(12)	(32)	(25)	(22)
Foreign currency gain (loss), net	(160)	(7)	170	150	(65)	10	9
Others, net		(10)	66	58	3	66	58
<b>Income (loss) before income tax expenses and equity income (loss) on investments</b>	<b>1,656</b>	<b>2,384</b>	<b>(1,048)</b>	<b>(927)</b>	<b>5,386</b>	<b>608</b>	<b>537</b>
Income tax expenses	818	869	531	470	1,671	1,349	1,193
<b>Income (loss) before equity income (loss) on investments</b>	<b>838</b>	<b>1,515</b>	<b>(1,579)</b>	<b>(1,397)</b>	<b>3,715</b>	<b>(741)</b>	<b>(656)</b>
Equity income (loss) on investments	(82)	(9)	43	38	(21)	(39)	(34)
<b>Net income (loss)</b>	<b>756</b>	<b>1,506</b>	<b>(1,536)</b>	<b>(1,359)</b>	<b>3,694</b>	<b>(780)</b>	<b>690</b>
LESS: Net loss attributable to the non-controlling interest	(372)	(215)	(410)	(363)	(435)	(782)	(692)
<b>Net income (loss) attributable to parent company</b>	<b>1,128</b>	<b>1,721</b>	<b>(1,126)</b>	<b>(996)</b>	<b>4,129</b>	<b>2</b>	<b>2</b>
<b>Earnings (loss) per share</b>							
- Basic and diluted	162	247	(162)	(0.14)	594	0	0
<b>Weighted average number of shares outstanding</b>							
- Basic and diluted	6,948,900	6,948,900	6,948,900	6,948,900	6,948,900	6,948,900	6,948,900
<b>Earnings (loss) per ADS(1)</b>							
- Basic and diluted	41	62	(41)	(0.04)	149	0	0

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- \* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW 1,130.75 US\$1.00, the noon buying rate in effect on August 10, 2012 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 29, 2012

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