

GRAVITY Co., Ltd.
Form 6-K
November 19, 2009

**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
November 19, 2009
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 THIRD QUARTER OF 2009 RESULTS AND BUSINESS UPDATES

Seoul, South Korea November 19, 2009 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 third quarter ended September 30, 2009, prepared in accordance with generally accepted accounting principles in the United States and business updates.

FINANCIAL RESULTS FOR THE THIRD QUARTER 2009

Revenues for the third quarter ended September 30, 2009 were KRW 13,798 million (US\$11,818 thousand), representing a 1.6% decrease from KRW 14,018 million for the second quarter ended June 30, 2009 (QoQ) and a 7.9% increase from KRW 12,782 million for the third quarter ended September 30, 2008 (YoY).

Review of financial results

Revenues

Royalty and licensing fee revenues for the third quarter ended September 30, 2009 were KRW 7,553 million (US\$6,469 thousand), representing a 9.5% decrease QoQ from KRW 8,350 million and a 4.5% increase YoY from KRW 7,226 million. The decrease QoQ was primarily due to the declining revenues from Ragnarok Online in Japanese market. The increase in YoY was mainly from the higher revenues in Japanese market due to the weakening of the Korean Won against the Japanese Yen.

Subscription revenue for the third quarter 2009 was KRW 3,122 million (US\$2,674 thousand), representing a 4.8% increase QoQ and a 11.8% decrease YoY compared to KRW 2,980 million and KRW 3,539 million, respectively. The increase QoQ result was primarily from increased revenues in Korean market, partially offset by decreased revenues in the U.S. and Canada. The decrease YoY was attributable to the decreased revenues in Korean market, partially offset by the increased revenues from the U.S., Canada, Europe, Russia and CIS countries.

Mobile game revenues were KRW 2,324 million (US\$1,990 thousand) for the third quarter 2009, representing a 32.6% increase QoQ from KRW 1,752 million and a 44.0% increase YoY from KRW 1,614 million. The increase for both QoQ and YoY was mainly due to the increased sales of Ragnarok mobile games and the revenues from development of a mobile game outsourced by LG Electronics.

Character merchandising, animation and other revenue were KRW 799 million (US\$685 thousand) for the third quarter 2009, representing a 14.6% decrease QoQ from KRW 936 million and a 98.3% increase YoY from KRW 403 million.

Cost of Revenues and Operating Expenses

Cost of revenues were KRW 5,396 million (US\$4,622 thousand) for the third quarter 2009, representing a modest decrease QoQ from KRW 5,441 million and a 19.8% decrease YoY from KRW 6,726 million. Such decrease YoY was primarily attributable to i) decrease in salaries for the headquarters and decrease in salaries for the subsidiaries in the U.S. mainly resulting from the salaries of L5 Games Inc. which existed for the third quarter 2008 but did not occur for the third quarter 2009 due to the liquidation process taken place in August 2008; and ii) fully completed amortization of intangible assets in December 2008, related to acquisition of NeoCyon in November and December 2005.

Operating expenses were KRW 7,193 million (US\$6,160 thousand) for the third quarter 2009, representing a 33.5% increase QoQ from KRW 5,389 million and a 23.7% increase YoY from KRW 5,815 million. The increase for both QoQ and YoY was primarily due to accrual for certain litigation settlement of KRW 1,676 million which is expected to be incurred with reasonable certainty. The increase QoQ was also due in part to the increased advertising expenses related to an update for Ragnarok Online. The increase YoY was partially offset by the decrease in rent expenses mainly resulting from the rent expenses for the Company's subsidiary in Dubai which existed as of the third quarter 2008 but did not occur for the third quarter 2009 due to the liquidation process taken place in September 2008.

Income before income tax expenses and others were KRW 1,323 million (US\$1,134 thousand) for the third quarter 2009, which represents a 60.2% decrease QoQ from KRW 3,327 million and a 29.6% decrease YoY from KRW 1,879 million.

Based on the foregoing factors, Gravity recorded a net income of KRW 16 million (US\$14 thousand) for the third quarter ended September 30, 2009 compared to the net income of KRW 1,938 million for the second quarter ended June 30, 2009 and a net income of KRW 869 million for the third quarter ended September 30, 2008.

The balance of cash and cash equivalents and short-term financial instruments were KRW 72,878 million (US\$62,418 thousand) as of September 30, 2009.

Note: For convenience purposes only, the KRW amounts have been expressed in the U.S. dollars at the exchange rate of KRW 1,167.60 to US\$1.00, the noon buying rate in effect on November 6, 2009, as quoted by the Federal Reserve Bank of New York.

BUSINESS UPDATES

Updates for development of Ice Age Online

The Company previously stated in its annual report on the Form 20-F for 2008 that Ice Age Online, a massively multiplayer online game based on Ice Age motion pictures franchise under the licensing agreement with 20th Century FOX Licensing & Merchandising (FOX), was expected to be launched in December 2009. However, there is disagreement over assessing the current status of the game development between FOX and the Company.

The Company will make every effort to reach an amicable settlement with FOX and disclose the outcome of the discussion in the near future.

Publishing Agreement for Estar

The Company has entered into a publishing agreement with Naru Entertainment Co., Ltd., an online game developer based in South Korea, to publish Estar (tentative title) game worldwide.

Estar is an MMORPG (Massively Multiplayer Online Role Playing Game) targeting male game users from their teens through their thirties.

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 38 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.

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GRAVITY Co., Ltd.
Consolidated Balance Sheet

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

| | As of | | | |
|--|------------------|---------------------|--------------------|---------------------|
| | 31-Dec-08 | | 30-Sep-09 | |
| | KRW (audited) | US\$ (unaudited) | KRW (unaudited) | US\$ (unaudited) |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 53,168 | 45,536 | 64,361 | 55,123 |
| Short-term financial instruments | 7,278 | 6,233 | 8,517 | 7,295 |
| Accounts receivable, net | 6,540 | 5,601 | 7,253 | 6,212 |
| Other current assets | 5,564 | 4,766 | 4,644 | 3,976 |
| Total current assets | 72,550 | 62,136 | 84,775 | 72,606 |
| | | | | |
| Property and equipment, net | 5,226 | 4,476 | 3,385 | 2,900 |
| Leasehold and other deposits | 1,501 | 1,286 | 1,500 | 1,284 |
| Intangible assets | 11,154 | 9,553 | 11,165 | 9,563 |
| Goodwill | 1,451 | 1,243 | 1,451 | 1,243 |
| Investments | 2,440 | 2,090 | 1,788 | 1,531 |
| Other non-current assets | 1,613 | 1,380 | 1,869 | 1,600 |
| Total assets | 95,935 | 82,164 | 105,933 | 90,727 |
| | | | | |
| Liabilities and shareholders equity | | | | |
| Current liabilities | | | | |
| Accounts payable | 3,093 | 2,649 | 5,128 | 4,392 |
| Deferred income | 3,286 | 2,814 | 3,983 | 3,411 |
| Income tax payable | 815 | 698 | 478 | 409 |
| Other current liabilities | 1,203 | 1,031 | 980 | 840 |
| Total current liabilities | 8,397 | 7,192 | 10,569 | 9,052 |
| | | | | |
| Long-term deferred income | 9,839 | 8,427 | 10,044 | 8,602 |
| Accrued severance benefits | 926 | 793 | 1,254 | 1,074 |
| Other non-current liabilities | 165 | 141 | 184 | 158 |
| Total liabilities | 19,327 | 16,553 | 22,051 | 18,886 |
| | | | | |
| Minority interest | 137 | 117 | 198 | 170 |
| Common stock | 3,474 | 2,976 | 3,474 | 2,976 |
| Additional paid-in capital | 75,247 | 64,446 | 75,302 | 64,493 |
| Retained earnings (Accumulated deficit) | (5,652) | (4,841) | 1,555 | 1,332 |
| Accumulated other comprehensive income | 3,402 | 2,913 | 3,353 | 2,870 |

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| | | | | |
|---|--------|--------|---------|--------|
| Total shareholders equity | 76,471 | 65,494 | 83,684 | 71,671 |
| Total liabilities and shareholders equity | 95,935 | 82,164 | 105,933 | 90,727 |

* For convenience purposes only, the KRW amounts are expressed in U.S. dollars at the rate of KRW1,167.60 to US\$1.00, the noon buying rate in effect on November 6, 2009 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 | | | | Nine months ended | | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
| | 30-Jun-09 (KRW) (unaudited) | 30-Sep-08 (KRW) (unaudited) | 30-Sep-09 (KRW) (unaudited) | 30-Sep-09 (US\$) (unaudited) | 30-Sep-08 (KRW) (unaudited) | 30-Sep-09 (KRW) (unaudited) | 30-Sep-09 (US\$) (unaudited) |
| Revenues | | | | | | | |
| Online games-subscription revenue | 2,980 | 3,539 | 3,122 | 2,674 | 9,481 | 9,577 | 8,203 |
| Online games-royalties and license fees | 8,350 | 7,226 | 7,553 | 6,469 | 20,865 | 26,718 | 22,883 |
| Mobile games | 1,752 | 1,614 | 2,324 | 1,990 | 5,111 | 5,928 | 5,077 |
| Character merchandising, animation and other revenue | 936 | 403 | 799 | 685 | 2,515 | 2,200 | 1,884 |
| Total net revenues | 14,018 | 12,782 | 13,798 | 11,818 | 37,972 | 44,423 | 38,047 |
| Cost of revenues | 5,441 | 6,726 | 5,396 | 4,622 | 21,735 | 16,265 | 13,931 |
| Gross profit | 8,577 | 6,056 | 8,402 | 7,196 | 16,237 | 28,158 | 24,116 |
| Operating expenses | | | | | | | |
| Selling, general and administrative | 4,953 | 5,401 | 6,719 | 5,754 | 16,601 | 16,989 | 14,550 |
| Research and development | 436 | 414 | 474 | 406 | 1,806 | 1,258 | 1,078 |
| Operating income (loss) | 3,188 | 241 | 1,209 | 1,036 | (2,170) | 9,911 | 8,488 |
| Other income (expenses) | | | | | | | |
| Interest income | 537 | 661 | 526 | 451 | 2,065 | 1,800 | 1,542 |
| Interest expense | (11) | (7) | (10) | (9) | (18) | (36) | (31) |
| Foreign currency gains (losses), net | (430) | 1,000 | (389) | (333) | 1,962 | (55) | (47) |
| Others, net | 43 | (16) | (13) | (11) | (19) | 27 | 23 |
| Income before income tax expense, minority | 3,327 | 1,879 | 1,323 | 1,134 | 1,820 | 11,647 | 9,975 |

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| | | | | | | | |
|--|------------|------------|------------|------------|------------|------------|------------|
| interest and equity in loss of related joint venture | | | | | | | |
| Income tax expenses | 1,103 | 865 | 1,074 | 920 | 2,521 | 3,582 | 3,068 |
| Income (loss) before minority interest and equity in loss of related joint venture | 2,224 | 1,014 | 249 | 214 | (701) | 8,065 | 6,907 |
| Minority interest Equity in loss of related joint venture | 19 | 22 | 23 | 20 | 62 | 61 | 52 |
| | 267 | 123 | 210 | 180 | 3,664 | 797 | 683 |
| Net Income (loss) | 1,938 | 869 | 16 | 14 | (4,427) | 7,207 | 6,172 |
| Earnings (loss) per share | | | | | | | |
| - Basic and diluted | 279 | 125 | 2 | 0 | (637) | 1,037 | 0.89 |
| 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 (loss) per ADS (1) | | | | | | | |
| - Basic and diluted | 70 | 31 | 0 | 0 | (159) | 259 | 0.22 |
| 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 | 27,795,600 |

* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW1,167.60 to US\$1.00, the noon buying

rate in effect on
November 6,
2009 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: 11/19/2009

By: /s/ Heung Gon Kim

Name: Heung Gon Kim

Title: Chief Financial Officer