

GRAVITY Co., Ltd.
Form 6-K
August 29, 2013

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 2013

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 x Form 40-F o

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): o

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): o

GRAVITY REPORTS SECOND QUARTER OF 2013 RESULTS AND BUSINESS UPDATES

Seoul, South Korea August 29, 2013 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, 2013, prepared in accordance with generally accepted accounting principles in the United States, and business updates.

FINANCIAL RESULTS FOR THE SECOND QUARTER OF 2013

Revenues for the second quarter ended June 30, 2013 was KRW 12,788 million (US\$ 11,379 thousand), representing a 8.4% increase from KRW 11,796 million for the first quarter ended March 31, 2013 (QoQ) and a 9.2% decrease from KRW 14,084 million for the second quarter ended June 30, 2012 (YoY).

Review of Financial Results

Revenues

Royalty and licensing fee revenues for the second quarter of 2013 were KRW 5,543 million (US\$ 4,932 thousand), representing a 16.7% decrease QoQ from KRW 6,654 million and a 31.6% decrease YoY from KRW 8,109 million. The decreases in royalty and licensing fee revenues QoQ and YoY were primarily due to decreased revenues from *Ragnarok Online* in Japan and strengthening of the Korean Won against the Japanese Yen. The decreases in royalty and licensing fee revenues QoQ and YoY were partially offset by revenues from *Ragnarok Online* in China where the game was relaunched in February 2013.

Subscription revenues for the second quarter of 2013 were KRW 2,836 million (US\$ 2,523 thousand), representing a 45.6% increase QoQ from KRW 1,948 million and a 31.8% increase YoY from KRW 2,151 million. The increases QoQ and YoY were mainly driven by revenues from *Ragnarok Online II* in the United States, Canada and 28 European countries and markets where the game was launched in May 2013.

Mobile game revenues were KRW 3,996 million (US\$ 3,556 thousand) for the second quarter of 2013, representing a 45.2% increase QoQ from KRW 2,753 million and a 77.9% increase YoY from KRW 2,246 million. The increases QoQ and YoY were mostly attributable to revenues from NeoCyon's mobile game operation service for a third party and revenues from *Ragnarok Online Uprising: Valkyrie*.

Character merchandising and other revenues were KRW 413 million (US\$ 368 thousand) for the second quarter of 2013, representing a 6.3% decrease QoQ from KRW 441 million and a 73.8% decrease YoY from KRW 1,578 million. The decrease QoQ was mostly due to decreased revenues from *Ragnarok Odyssey*, a PS Vita game. The decrease YoY resulted mainly from sales of goods related to mobile phones in the second quarter of 2012, which did not occur in the second quarter of 2013.

Cost of Revenue and Operating Expenses

Cost of revenue was KRW 8,439 million (US\$ 7,509 thousand) for the second quarter of 2013, representing a 14.1% increase QoQ from KRW 7,397 million but a 12.9% decrease YoY from KRW 9,691 million. The increase QoQ was mostly from increased commission paid related to our service for third parties. The decrease YoY resulted mainly from cost of goods sold by NeoCyon associated with its sales of goods related to mobile phones in the second quarter of 2012, which did not occur in the second quarter of 2013.

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Operating expenses were KRW 5,930 million (US\$ 5,277 thousand) for the second quarter of 2013, representing a 0.4% decrease QoQ from KRW 5,951 million and a 3.1% decrease YoY from KRW 6,121 million. The decreases QoQ and YoY were mainly attributable to gain on disposal of investments related to liquidation of Online Game Revolution Fund No. 1, which is largely due to realization of related accumulated other comprehensive income balance. The decreases in operating expenses QoQ and YoY were partly offset by increased research and development expenses mostly related to *Ragnarok Odyssey Ace*, an expansion pack of *Ragnarok Odyssey*.

Loss before income tax expenses and others was KRW 1,020 million (US\$ 908 thousand) for the second quarter of 2013 compared with loss before income tax expenses and others of KRW 1,133 million for the first quarter of 2013 and loss before income tax expenses and others of KRW 1,048 million for the second quarter of 2012.

As a result of the foregoing factors, Gravity recorded a net loss attributable to parent company of KRW 1,617 million (US\$ 1,439 thousand) for the second quarter of 2013 compared with a net loss attributable to parent company of KRW 1,629 million for the first quarter of 2013 and a net loss attributable to parent company of KRW 1,126 million for the second quarter of 2012.

The balance of cash and cash equivalents and short-term financial instruments was KRW 50,813 million (US\$ 45,213 thousand) as of June 30, 2013.

Note: For convenience purposes only, the KRW amounts have been expressed in U.S. dollars at the exchange rate of KRW 1,123.85 to US\$ 1.00, the noon buying rate in effect on August 2, 2013 as quoted by the Federal Reserve Bank of New York.

BUSINESS UPDATES

- *Ragnarok Online II* was launched in Indonesia on August 28, 2013 and will be released in Thailand in the fourth quarter of 2013.
- *Tower of Ascension*, a mobile multiplayer online role playing game, was released in Korea on August 23, 2013. The Company developed *Tower of Ascension* using the Unreal Engine 3, one of the most advanced and robust game engines, and the game boasts high-quality graphics similar to those of PC-based games and an intuitive tap-based control system. The game was rolled out on iOS first and will be followed by Android. Gravity will enter overseas markets right after launching the game in the Korean market.
- *Ragnarok Odyssey Ace*, a PS Vita game based on the universe of *Ragnarok Online* and expansion pack of *Ragnarok Odyssey*, is slated to be launched in Korea, Japan, Taiwan, Hong Kong, Singapore, Malaysia, Thailand and Indonesia on August 29, 2013. The game will be rolled out in North America and Europe in the first quarter of 2014.

About GRAVITY Co., Ltd.

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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 60 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\$)

| | 31-Dec-12 | | As of 30-Jun-13 | |
|---|------------------|---------------------|--------------------|---------------------|
| | KRW (audited) | US\$ (unaudited) | KRW (unaudited) | US\$ (unaudited) |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | 36,455 | 32,438 | 23,813 | 21,189 |
| Short-term financial instruments | 17,500 | 15,571 | 27,000 | 24,024 |
| Accounts receivable, net | 7,116 | 6,332 | 6,002 | 5,341 |
| Other current assets | 6,858 | 6,102 | 6,769 | 6,023 |
| Total current assets | 67,929 | 60,443 | 63,584 | 56,577 |
| Property and equipment, net | 3,524 | 3,136 | 3,257 | 2,898 |
| Leasehold and other deposits | 5,767 | 5,131 | 5,577 | 4,962 |
| Intangible assets | 24,270 | 21,595 | 21,480 | 19,113 |
| Equity method investments | 647 | 576 | | |
| Other non-current assets | 8,418 | 7,491 | 8,499 | 7,563 |
| Total assets | 110,555 | 98,372 | 102,397 | 91,113 |
| Liabilities and Equity | | | | |
| Current liabilities: | | | | |
| Accounts payable | 5,115 | 4,551 | 3,593 | 3,197 |
| Deferred revenue | 3,006 | 2,675 | 3,539 | 3,149 |
| Other current liabilities | 2,254 | 2,006 | 1,655 | 1,473 |
| Total current liabilities | 10,375 | 9,232 | 8,787 | 7,819 |
| Long-term deferred revenue | 9,172 | 8,161 | 8,084 | 7,193 |
| Accrued severance benefits | 683 | 608 | 321 | 285 |
| Other non-current liabilities | 247 | 220 | 318 | 283 |
| Total liabilities | 20,477 | 18,221 | 17,510 | 15,580 |
| Common shares | 3,474 | 3,091 | 3,474 | 3,091 |
| Additional paid-in capital | 75,395 | 67,086 | 75,395 | 67,086 |
| Retained earnings | 7,699 | 6,851 | 4,453 | 3,963 |
| Accumulated other comprehensive income | 3,001 | 2,670 | 1,582 | 1,407 |
| Total parent company shareholders' equity | 89,569 | 79,698 | 84,904 | 75,547 |
| Non-controlling interest | 509 | 453 | (17) | (14) |
| Total equity | 90,078 | 80,151 | 84,887 | 75,533 |
| Total liabilities and equity | 110,555 | 98,372 | 102,397 | 91,113 |

* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW 1,123.85 to US\$1.00, the noon buying rate in effect on August 2, 2013 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-13 (KRW) (unaudited) | 30-Jun-12 (KRW) (unaudited) | 30-Jun-13 (KRW) (unaudited) | (US\$) (unaudited) | 30-Jun-12 (KRW) (unaudited) | 30-Jun-13 (KRW) (unaudited) | (US\$) (unaudited) | |
| Revenues: | | | | | | | | |
| Online games-subscription revenue | 1,948 | 2,151 | 2,836 | 2,523 | 6,392 | 4,784 | 4,257 | |
| Online games-royalties and license fees | 6,654 | 8,109 | 5,543 | 4,932 | 16,819 | 12,197 | 10,853 | |
| Mobile games | 2,753 | 2,246 | 3,996 | 3,556 | 4,283 | 6,749 | 6,005 | |
| Character merchandising and other revenue | 441 | 1,578 | 413 | 368 | 2,947 | 854 | 760 | |
| Total net revenue | 11,796 | 14,084 | 12,788 | 11,379 | 30,441 | 24,584 | 21,875 | |
| Cost of revenue | 7,397 | 9,691 | 8,439 | 7,509 | 16,518 | 15,836 | 14,091 | |
| Gross profit | 4,399 | 4,393 | 4,349 | 3,870 | 13,923 | 8,748 | 7,784 | |
| Operating expenses: | | | | | | | | |
| Selling, general and administrative | 4,407 | 5,258 | 4,512 | 4,015 | 12,050 | 8,919 | 7,936 | |
| Research and development | 1,392 | 1,400 | 2,061 | 1,834 | 2,787 | 3,453 | 3,072 | |
| Impairment losses on intangible assets | 152 | | 582 | 518 | | 734 | 653 | |
| Gain on disposal of investments | | (537) | (1,225) | (1,090) | (537) | (1,225) | (1,089) | |
| Total operating expenses | 5,951 | 6,121 | 5,930 | 5,277 | 14,300 | 11,881 | 10,572 | |
| Operating loss | (1,552) | (1,728) | (1,581) | (1,407) | (377) | (3,133) | (2,788) | |
| Other income (expenses): | | | | | | | | |
| Interest income | 370 | 458 | 345 | 307 | 934 | 715 | 636 | |
| Interest expense | (11) | (14) | (14) | (12) | (25) | (25) | (22) | |
| Foreign currency gain, net | 60 | 170 | 230 | 204 | 10 | 290 | 258 | |
| Others, net | | 66 | | | 66 | | | |
| Income (loss) before income tax expenses and equity income (loss) on investments | (1,133) | (1,048) | (1,020) | (908) | 608 | (2,153) | (1,916) | |
| Income tax expenses | 875 | 531 | 720 | 640 | 1,349 | 1,595 | 1,419 | |
| Loss before equity income (loss) on investments | (2,008) | (1,579) | (1,740) | (1,548) | (741) | (3,748) | (3,335) | |
| Equity income (loss) on investments | (23) | 43 | | | (39) | (23) | (20) | |
| Net loss | (2,031) | (1,536) | (1,740) | (1,548) | (780) | (3,771) | (3,355) | |
| Net income (loss) attributable to: | | | | | | | | |
| Non-controlling interest | (402) | (410) | (123) | (109) | (782) | (525) | (467) | |
| Parent company | (1,629) | (1,126) | (1,617) | (1,439) | 2 | (3,246) | (2,888) | |
| Earnings (loss) per share | | | | | | | | |
| - Basic and diluted | (234) | (162) | (233) | (0.21) | 0 | (467) | (0.42) | |
| 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 | |

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Earnings (loss) per ADS(1)

| | | | | | | | |
|---------------------|------|------|------|--------|---|-------|--------|
| - Basic and diluted | (59) | (41) | (58) | (0.05) | 0 | (117) | (0.10) |
|---------------------|------|------|------|--------|---|-------|--------|

* For convenience, the KRW amounts are expressed in U.S. dollars at the rate of KRW 1,123.85 to US\$1.00, the noon buying rate in effect on August 2, 2013 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.

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

Date: August 29, 2013