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Financial Highlights

	Fiscal Year Ended 12/31/00	Fiscal Year Ended 12/31/99	Fiscal Year Ended 12/31/98
(in thousands, except per share amounts)			
OPERATING DATA			
Net revenues (1)	\$ 307,722	\$ 347,817	\$ 317,618
Segment income before Playboy Online	12,167	23,045	11,496
Segment income (loss)	(13,032)	13,979	4,968
Restructuring expenses	(3,908)	(1,091)	-
Operating income (loss)	(16,940)	12,888	4,968
Net income (loss) (2)	(47,626)	(5,335)	4,320
Basic and diluted net income (loss) per common share	(1.96)	(0.23)	0.21
EBITDA (3)	23,875	58,722	39,267
YEAR-END POSITION			
Shareholders' equity	\$ 114,185	\$ 161,281	\$ 84,202
Book value per common share	4.71	6.68	4.08

- (1) The decline in fiscal year 2000 net revenues is primarily due to a \$30,000 up-front payment in fiscal year 1999 from PTVI to the Entertainment Group combined with a decline of Catalog Group revenues, a business the Company is exiting.
- (2) Fiscal year 2000 included noncash federal income tax expense of \$24,100 related to the Company's decision to increase the valuation allowance for its deferred tax assets.
- (3) EBITDA represents earnings from continuing operations before interest expense, income taxes, depreciation of property and equipment, amortization of intangible assets, amortization of investments in entertainment programming, amortization of deferred financing fees primarily related to the Spice acquisition and equity in operations of PTVI and other. EBITDA should not be considered an alternative to any measure of performance or liquidity under generally accepted accounting principles. Similarly, it should not be inferred that EBITDA is more meaningful than any of those measures.

To Our Shareholders

Just as the world transitioned to a new millennium in 2000, Playboy also experienced something of a transitional year.

We saw continued growth in the number of digital-television homes in the United States and around the world as well as a significant increase in carriage of adult-television programming, which created competitive challenges and greater opportunities. We also saw a reversal in investor sentiment toward many dot-com businesses, even as Playboy.com achieved on-budget results with plans to achieve profitability in 2002. These developments did not change our core strategies and we expect to report a significant improvement in operating results in 2001.

OUR STRATEGIES FOR GROWTH ARE SIMPLE.

- Leverage the prestige position of the Playboy brand on television with multiple viewer choice and international digital growth.
- Move our online business to profitability through low customer-acquisition costs as well as multiple new and existing high-margin revenue streams.
- Continue to increase the profitability of our high-profile publishing and licensing businesses.
- Optimize the cash-generating value of Spice in television and online.
- Focus our resources by divesting noncore assets.

WE MADE GREAT STRIDES IN 2000.

Among our accomplishments:

- Through our Playboy TV International, LLC (PTVI) joint venture, we launched Playboy TV networks in five new regions, bringing the number of households reached outside the U.S. to a level equal to the domestic market and moving us closer to overall profitability for the venture.
- We relaunched the marketing of Playboy TV on a subscription basis, and the growth of digital cable and secure transmission allowed us to further expand testing of video-on-demand services.
- Investments in online paid off in a 125% gain in unique users and a more than

50% growth in annual revenues as well as announcements of deals to launch online gaming and our first international site.

- We reported profit increases in our publishing and product marketing businesses.
- We responded to the demand for adult product by announcing plans to launch new Spice Platinum networks.
- We sold the *Critics' Choice Video* catalog and e-commerce business and have begun the process of divesting *Collectors' Choice Music*, the last catalog asset. The divestiture of *Critics' Choice Video*, which had revenues of \$38.9 million in 1999, was a major contributor to the year-over-year decline in revenues.

The year's financial results did not reflect these achievements. The \$30 million first payment related to the formation of our PTVI joint venture in 1999, significant planned increases in online investments and restructuring charges in 2000 created an unfavorable year-over-year comparison. For the same reasons, Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) of \$23.9 million in 2000 were down compared with 1999's \$58.7 million. The 2000 net loss of \$47.6 million, or \$1.96 per share, also reflected a \$24.1 million noncash charge related to the company's conservative accounting decision to increase the valuation allowance for its deferred tax assets.

ENTERTAINMENT REMAINS LARGEST PROFIT CONTRIBUTOR

The Entertainment Group experienced a wave of change in 2000. As we expected, digital cable service continued to grow, replacing analog systems in millions of U.S. households. Perhaps in part because of the security of the digital signal, the increase in digital households was accompanied by a dramatic increase in distribution of less-edited adult entertainment. While this programming has been widely available throughout most of the rest of the world, U.S. distributors had been more restrictive in their adult television offerings.

The security and expanded channel capacity offered by digital technology encouraged satellite and cable operators to offer a wider range of adult programming, including less-edited product than we were offering. Consumer response was unequivocal. As *The Wall Street Journal* reported: "Cable operators are finding out that the old adage is true: Sex sells. 'It's an aggressively growing category with the launch of explicit programming,' says one cable executive."

By year-end, the major satellite services and five of the top eight cable operators were carrying European-style adult programming and garnering high buy rates. Clearly, the television landscape has changed. In response to consumer demand and the safety provided by digital services, we will expand the programming mix offered under the Spice brand by launching new Spice

Christie Hefner, Chairman and Chief Executive Officer and Hugh M. Hefner, Founder and Editor-in-Chief of *Playboy* magazine.

Platinum and Spice Platinum Live channels. This increases our revenue and market share potential beyond the growth that digital distribution and buy rates would generate with our existing channels. In this competitive landscape, Playboy TV's growth will come from the strength of its brand and the variety of unique, original programming that it will make available to a growing number of digital households. In 2001, Playboy TV will be launching two new series, beginning with *Sexy Urban Legends*, and will be offering less-edited Director's Cut premiere movies.

Playboy and Spice are known for their exclusive, high-quality programming. To create more of this content more efficiently, we will begin operating in 2002 in a leased studio complex that will house production, archiving and technical services. The new studio will save money, expand production capabilities and increase the quantity of our content. In addition, it will serve not only our television networks but also our online business as computers become increasingly capable of handling streaming media. Broadband expansion will enhance viewer use of both television and home computers, encouraging the use of multiple camera angles, viewer voting on a show's direction and home participation in live shows—all of which will be more feasible from our own studios.

We saw dramatic growth at PTVI, our international television joint venture, in its first full year of operations. PTVI launched new networks in five regions in 2000, making our Playboy programming available in 26.3 million households in 46 countries and 13 languages by year-end. PTVI expects to launch at least five additional networks this year. We are very pleased with the results of this venture and anticipate exercising our option to buy up to 50% at founder's price, when PTVI reaches breakeven.



VALUE OF ONLINE IS INCREASING

We continue to believe that Playboy.com will become one of the company's largest, most profitable and, therefore, most valuable businesses. Through the Internet we can reach consumers quickly and directly, offering a range of entertainment and lifestyle experiences at a relatively low cost. Like our television business, online offers the advantage of leverage. As fixed costs are spread across a larger consumer base generating higher revenues, operating margins rise. The bulk of our cost structure is already in place; therefore, we expect expenses to increase by less than 10% in 2001. With revenues expected to grow more than 50%, we're projecting that operating losses will decline by more than half, to approximately \$12 million, in 2001.

Last year's online investment yielded terrific returns. Our traffic statistics, in terms of page views, unique users and visits, rose dramatically. E-commerce, because of the range of unique proprietary items that we carry, was nearly profitable for the year, while the *Playboy Cyber Club*, which had a 68% increase in subscriptions to nearly 67,000 at year-end, achieved that goal. The *Playboy Cyber Club* continues to grow, having crossed the 77,000 subscriber mark in March.

2001 promises to be only better. In the first half, we expect to launch an online sports-wagering site and a German version of the free site called *Playboy.de*. We also plan to sign deals for two additional international



Photograph by Greg Watermann.

sites and to launch online pari-mutuel and casino games wagering in 2001. These new businesses are all being created in conjunction with partners who will provide the funding, generating high-margin new revenues. In addition, we will further capitalize on the Spice brand by adding a new subscription site.

In last year's letter, I outlined our plans to take a component of the online business public. Unfortunately, the NASDAQ's decline made a public offering at a reasonable valuation impossible. We instead decided to seek investors for our business through a private placement. These strategic investors will have a minority interest in Playboy.com and will fund the venture to its expected profitability next year. As strategic business partners, they will also help us achieve our goal of being the dominant lifestyle and entertainment Website for men.

THE POWER OF PLAYBOY

Playboy is one of the world's most recognized brands. Both *Playboy* magazine and our licensing business play key roles in profitably promoting Playboy's products and name and in keeping the image of the brand hip, young and popular.

In 2000, operating margins and EBITDA for the Publishing Group improved. *Playboy* magazine reported a 13% gain in advertising revenues on its third consecutive year of ad page increases. Circulation also was strong, with the magazine reporting subscription and single-copy sales greater than the

(Right) In 2000, *Playboy* presented a remarkable array of illustrious women within its pages. The strongest newsstand seller in more than a decade was the November issue, which featured a 12-page pictorial of World Wrestling Federation superstar Chyna.

3.15 million rate base in the second half of the year. We have begun to promote and sell the magazine and Special Editions more aggressively through online, and we are able to offer advertisers multimedia marketing packages. Despite the difficult advertising market, we expect to report increased ad revenues for 2001 compared with last year.

The product marketing business in 2000 reaped the rewards of positioning and design work done in 1998 and 1999. We expanded our domestic and international business, adding merchandise, clothing and accessories with the Playboy name and Rabbit Head Design logo. The Playboy fashion line is carried in approximately 2500 U.S. stores, including Gadzooks, Fred Segal and Urban Outfitters, generating retail sales of \$35 million in the United States and \$200 million worldwide. Revenues and EBITDA are expected to increase again in 2001 through the launch of new products, the opening of new outlets and the expansion into new countries.

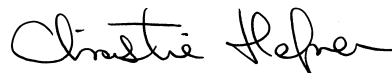
Also last year, we signed a deal with Ladbroke to open a Playboy casino and club in London. Since then, however, the land-based Ladbroke business has been sold to Gala, which does not plan to expand its current operations in the near term. Consequently, we are looking for a new partner in the U.K. market, while we benefit from the expertise that our gaming management brings to the online-wagering business.

THE BILLION-DOLLAR CHALLENGE

Two years ago I challenged Playboy's managers to achieve a \$1 billion market capitalization for the company within five years. During the first two years, we made great strides toward achieving this goal. 2000, however, was a different story. The decline

in the NASDAQ and investors' loss of confidence in the online sector had a devastating impact on many online companies, in terms of both market value and the ability to acquire funding. Playboy stock suffered in the downdraft as well, although fortunately not to the extent of many others. I want to assure our investors that we have not lost sight of our \$1 billion goal. I truly believe that Playboy Enterprises today is more valuable than it was a year ago and that we will see significant momentum build as 2001 progresses. We have the people, the strategies and the businesses needed for successful growth. I am confident that we can execute and deliver.

Sincerely,



Christie Hefner
Chairman and Chief Executive Officer
March 29, 2001

PLAYBOY

ENTERTAINMENT FOR MEN

NOVEMBER 2000 • www.playboy.com

**WWF
Wrestling
Phenom!**

CHYNA
NUDE

**SEX IN
CINEMA**

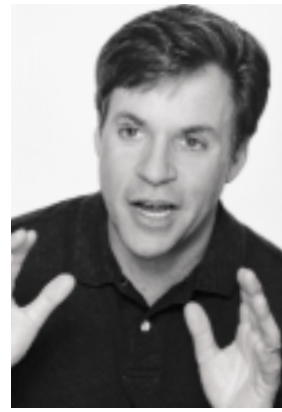
**RUSSIAN
BABES
NEVER
SAY
NYET**

**BEN
STILLER**
The Playboy
Interview

**WHAT
YOU
CAN
LEARN
IN SEX
CLASS**

**THE
GREAT
BIKER
MURDER
TRIAL**





Publishing

Playboy, the world's leading monthly magazine for men, continued to increase advertising revenue for the third consecutive year, largely contributing to profit growth for the Publishing Group again in 2000. The magazine attracted 41 new advertisers, including ABC TV, Artisan, Datek, ESPN, MGM, Samsung, Showtime, THQ and Toshiba. *Playboy* carried its tradition of publishing excellence into the new millennium through its unique editorial mix of articles and fiction, insightful interviews and breathtaking photography of the world's most beautiful women. In addition to the extraordinary newsstand sales success of the November issue featuring World Wrestling Federation superstar Chyna, highlights in 2000 included the second installment of the controversial *Playboy Interview* with Jesse Ventura, riveting coverage about the ongoing war on drugs, exclusive glimpses into Mansion festivities and the much-anticipated unveiling of *Who Wants to Marry a Multi-Millionaire?* bride Darva Conger.

(Above) Renowned for its ability to reveal intriguing viewpoints in candid conversations, the *Playboy Interview* profiled newsmakers from Hollywood to Wall Street along with those who compete in both sports and politics. This year's subjects included television and film actor George Clooney (July), political pundit Robert Novak (April), sportscaster Bob Costas (October), Amazon.com founder and CEO Jeff Bezos (February), baseball legend Pete Rose (May) and actress Drew Barrymore (December).

(Right) Perhaps no fictional character possesses more power and style—being surrounded by sexy women, innovative gadgets and the perfect martini—than James Bond. More than 40 years after the first story starring Special Agent 007 appeared in *Playboy*, an excerpt of Raymond Benson's novel *Doubleshot* (June) reminded readers that even this experienced agent, while on a train en route to Casablanca, could easily be confused by a set of beautiful blonde identical twins. *Illustration by Marco Ventura.*

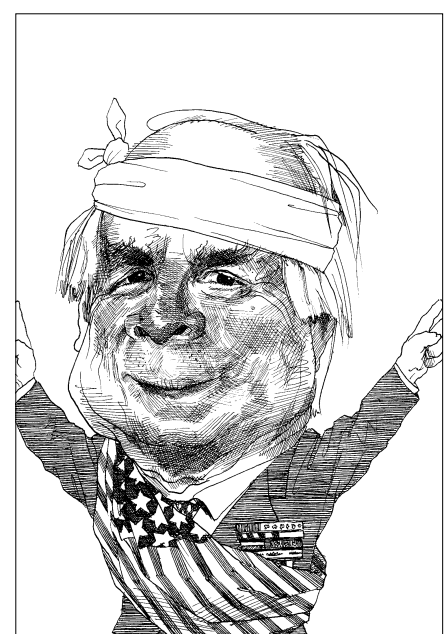




(Above) *Playboy* has long been known for its stellar writers and journalists. In *Global Shock* (January), James Hoge examines how cultural wars and conflict still surprise national leaders. Illustration by Winston Smith.

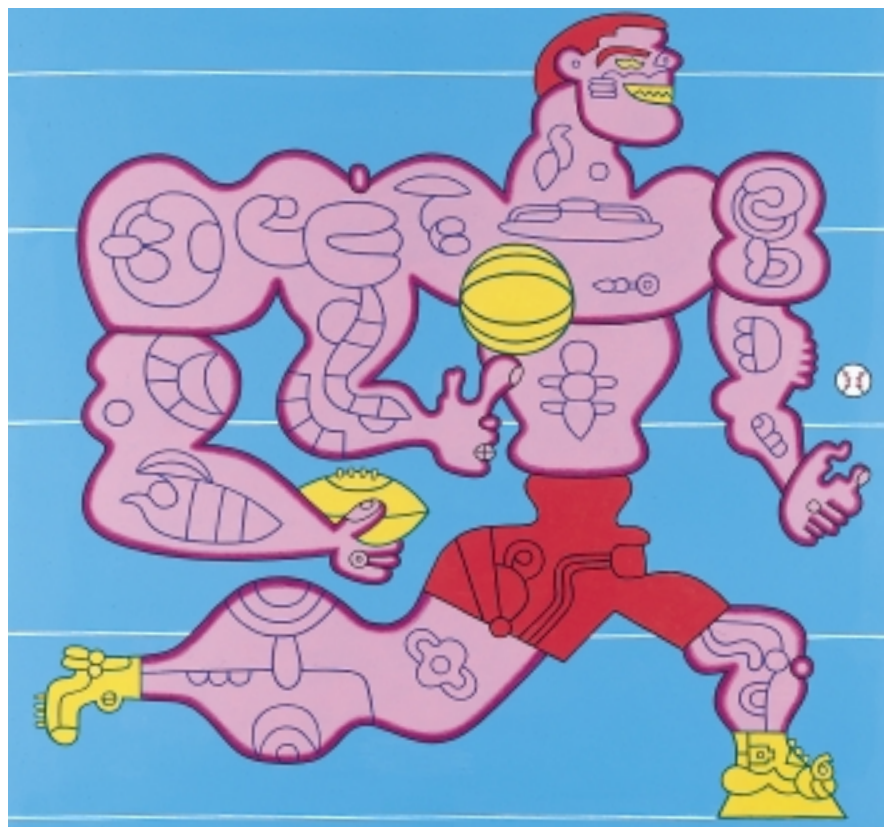
(Right) *Playboy's 20 Questions* provides a provocative peek into some of the year's most interesting personalities, such as track-and-field phenom Michael Johnson (October), Internet sensation Cindy Margolis (March) and rocker turned actor Steven Van Zandt (February).

(Far right) *Playboy* profiles some of the world's most talked about people. In *Don't Cross John McCain* (February), Amy Silverman examines how the many facets of the senator's personality impact his political career. Illustration by David Levine.





(Above) As a recognized authority on men's interests, *Playboy* summarized the year's musical highlights from the best rock concerts and reunion tours to the latest releases from country artists and Latin stars in *The Year in Music* (April). Collage by David Cowles.



(Above right) In *The New Super Athlete* (June), Allen Barra explores how pound for pound today's larger athletes—from football, basketball and baseball to boxing, tennis and track and field—use a combination of weight and flexibility training and better diet, coaching and equipment to break their predecessors' records. Illustration by Karl Wirsum.

(Right) A refined sense of style defines the *Playboy* man. Using fashion-savvy celebrities to present the latest designs, *Playboy* keeps its readers on the cutting edge. In *Men of Style* (February), Pierce Brosnan single-handedly brought back three-piece suits. His suit, handmade by Gianni Campagna, features a patented stay-flat lapel. Photograph by Barry Wetcher/© 1999 MGM Pictures Inc. All rights reserved.



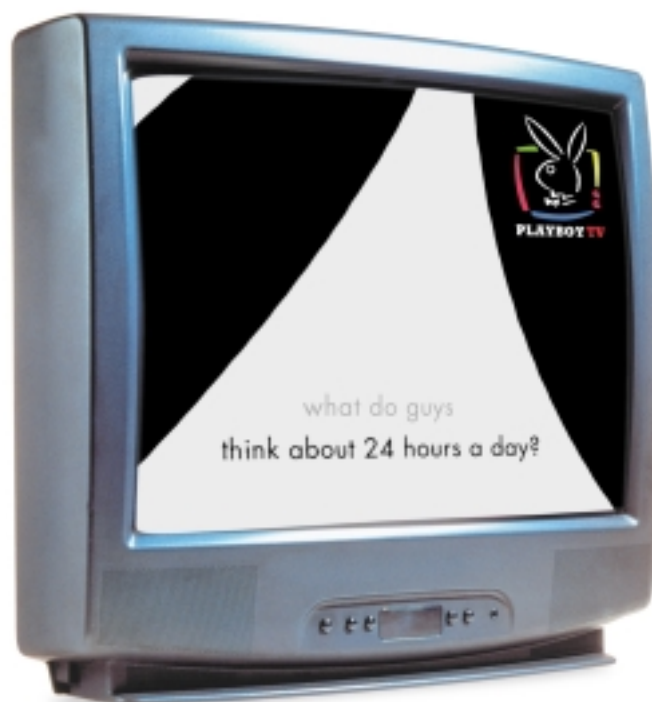


(Above left) *Playboy* Contributing Editor Ken Gross showcased the fierce and powerful Shelby Cobra CSX4000, the perfect complement to the *Playboy* lifestyle, in *Carroll's Cobra* (February). Photograph by Richard Izui.

(Above) Capitalizing on the global brand recognition and reputation of *Playboy* magazine, the company has 16 locally produced editions of *Playboy* through international publishing partnerships and licensing agreements. In 2000, the Greek edition of *Playboy*, published in partnership with Attica, celebrated its 15th anniversary.

(Left) *Playboy's* Special Editions, and other domestic publishing projects such as calendars and books, provide high-margin incremental revenues from the company's vast archives. This year, *Playboy's* Special Editions produced 24 issues, including the strong-selling *Playmate Search 2000*. Continuing popular titles were *Playboy's College Girls* and *Playboy's Book of Lingerie*.

(Right) In 2000, Playboy TV continued to expand its carriage on DTH platforms. At the end of 2000, the network was available to approximately 15.4 million North American DTH households, an increase of 24% compared with 1999. As part of a clever marketing campaign designed to underscore the channel's new on-air look and subscription appeal, a set of five hip black-and-white ads, pairing catchy messages with portions of the Rabbit Head Design logo, were distributed throughout the United States and Canada to Playboy TV satellite operators including DirecTV, EchoStar, Express VU and StarChoice.



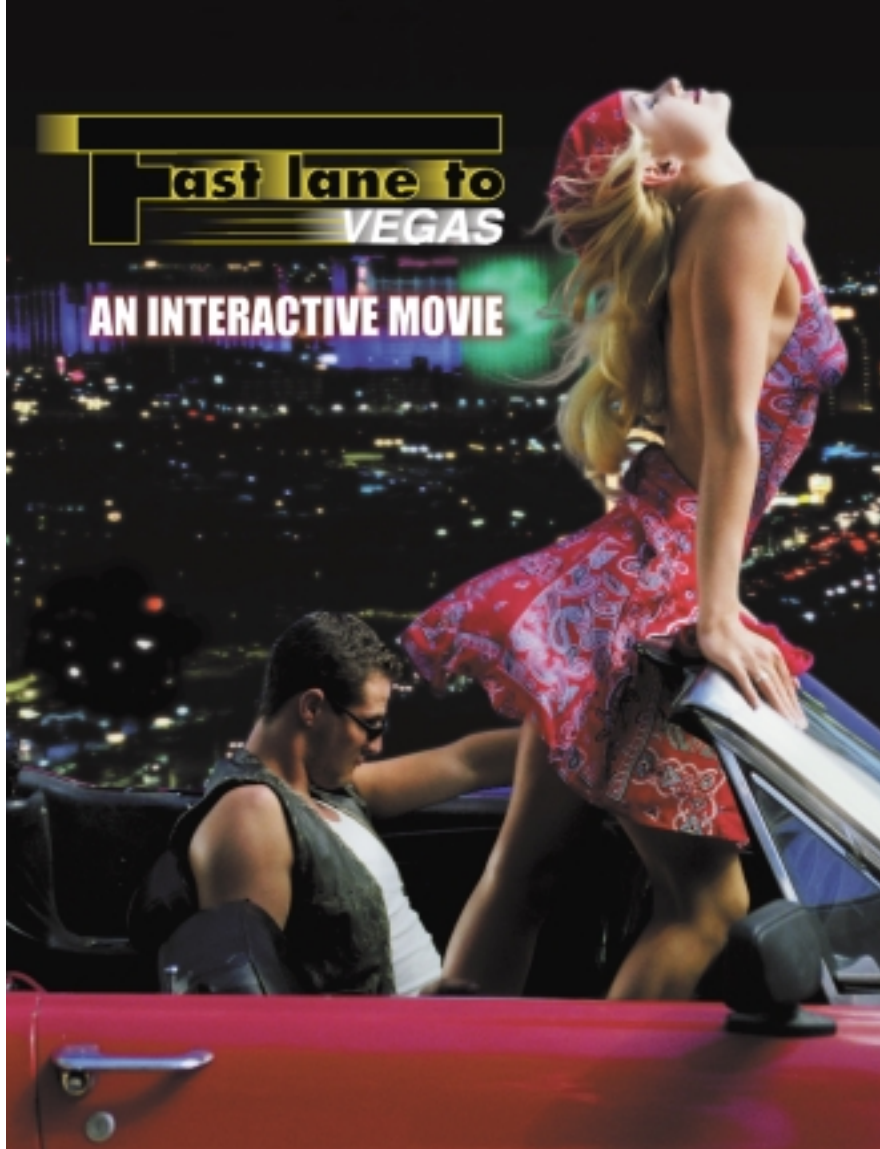
Entertainment

The Entertainment Group is the company's earnings driver. Anchored by the Playboy and Spice brands in the United States and around the world, the Entertainment Group is the world's leading provider of adult entertainment.

In 2000, the company laid the groundwork for future growth by announcing the launch of the Spice Platinum networks. In addition, Playboy TV continues to increase the amount and variety of quality programming by offering new genres, including interactive movies and animation, and by adding Director's Cut films. Through its joint venture, Playboy TV International, LLC (PTVI), new Playboy networks were launched in five countries during 2000, including France.



(Left) PTVI—the joint venture between Cisneros Television Group and Playboy Entertainment Group—launches, operates and owns Playboy TV, Spice and other branded television networks around the world, excluding the United States and Canada. Having launched networks in Israel, the Netherlands, New Zealand, France and Taiwan in 2000, PTVI plans to launch at least five additional networks in 2001. PTVI also develops localized programming. At the end of 2000, PTVI networks reached more than 26 million households in more than 45 countries and in 13 languages. As part of the French network's launch festivities, the Playboy TV logo was projected onto the Club de l'Etoile located on the Place d'Etoile, alongside the Arc de Triomphe. Playboy TV France programming is shown on Kiosque, the pay-per-view platform of Canal Plus. *Variety* magazine saluted Playboy with a special dedicated issue in honor of the one-year anniversary of the PTVI joint venture and the five-year anniversary of Playboy programming launching on branded international networks.

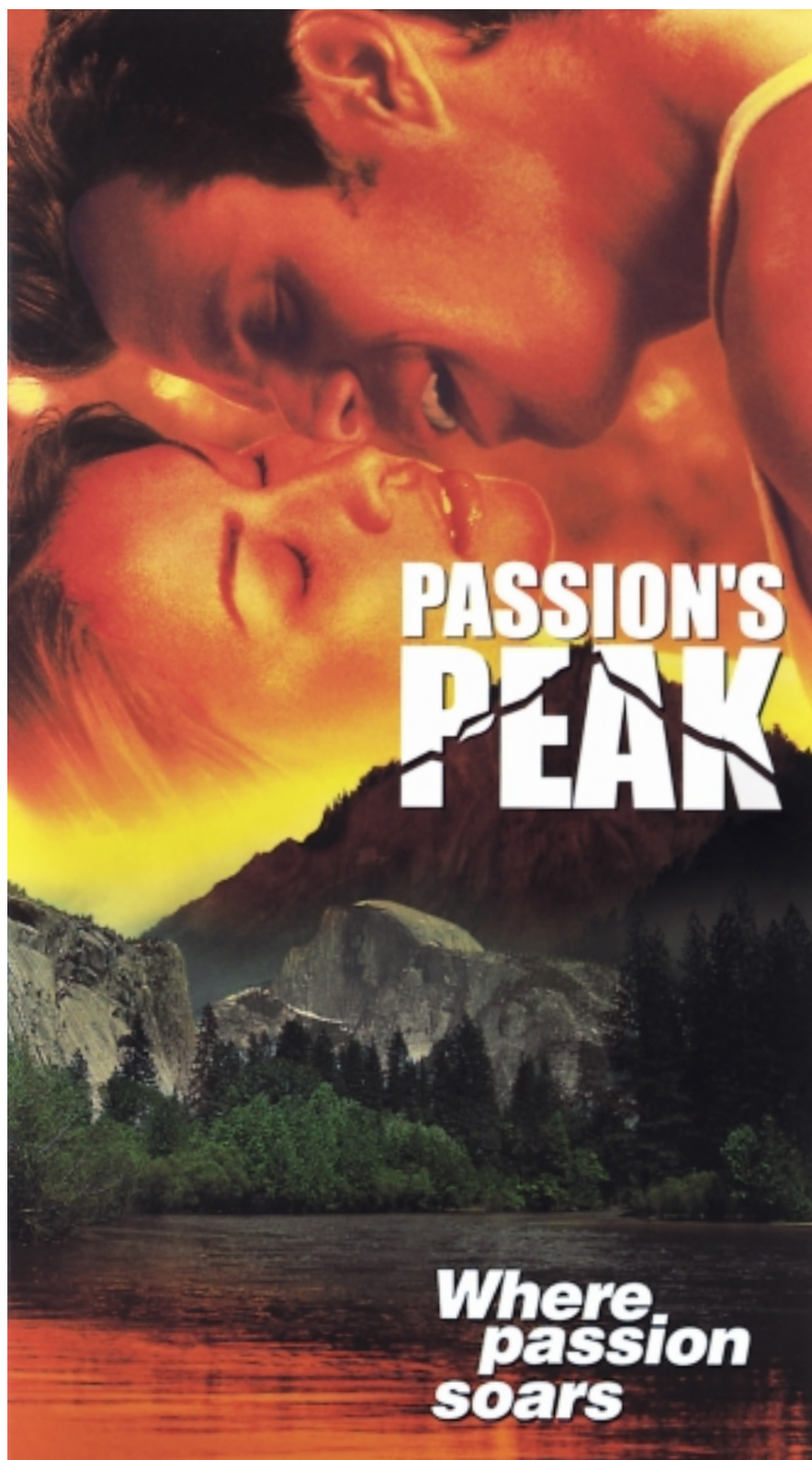


(Left) Leveraging convergence technologies, the Entertainment Group debuted into interactive movies with the releases of *Fast Lane to Malibu* and *Fast Lane to Vegas* in 2000. During each voting intermission, viewers were presented with various scenarios and then determined the plot's course by voting online via *Playboy.com*.

(Below, left to right) Each year, the company produces and licenses approximately 200 hours of new high-quality, high-value programs. Playboy TV's library of original programming now includes more than 1700 hours. In 2001, Playboy TV will add new original series such as *Sexy Urban Legends*, a half-hour anthology series that brings to life mythic stories and tales of mystery and intrigue that have proliferated in the evening news and on the Internet. In 2000, Playboy TV produced additional episodes of its existing popular programs, including *Sex Court*, in which litigants air their sexual grievances before Judge Julie Strain. *Night Calls 411*—based on the international Playboy TV hit series *Night Calls*, now in its sixth season—is a new 90-minute, live interactive program, which debuted in 2000 and features a multiethnic cast who talk about sex and relationships.



(Below) Expanding its original programming lineup, Playboy TV premiered the computer-generated animated adult series *Playboy's Dark Justice*. With futuristic flair, the television show is a fantasy-filled parody of the crime-fighting superhero genre. Set in Metro City in 2120, *Playboy's Dark Justice* stars Justina, a seductive vigilante who uses her incredible martial arts skills and vast array of hi-tech gadgets, weapons and vehicles to stay one step ahead of the police as she takes on the city's villains.



(Above) In 2000, the Entertainment Group produced 10 original feature-length movies, including *Passion's Peak*. The films air on Playboy TV, are distributed internationally through PTVI and are available for rent or sale through home video retailers such as Blockbuster Video stores, under the Eros Collection label. Playboy's original movies are frequently seen on Home Box Office and Showtime.



(Below) Fulfilling consumers' requests for a wider spectrum of adult-programming choices, the company will launch Spice Platinum networks in 2001. The networks will offer less-edited adult programming, and the company is encouraging cable and satellite operators to market the full range of video-on-demand, pay-per-view and monthly subscription options to consumers. At the end of 2000, the two existing Spice TV networks reached approximately 12 million analog and 4.5 million U.S. cable digital households.

(Left) In 2001, Playboy Home Video plans to expand its domestic and international video distribution deals, which currently provide entertainment to approximately 55 countries and territories. Some of the more popular titles are based upon and released in conjunction with cross-promotions of live-event Webcasts. In 2000, all 21 new home video titles were also released on DVD, and 16 reached *Billboard's* top 40 video sales chart.

(Below) Playboy TV en Español, a 24-hour Spanish-language network available to cable and DTH operators throughout the United States, provides quality adult programming via a feed from Playboy's Latin American network. Carried in the DISH Latino package on the EchoStar service, Playboy TV en Español is operated by PTVI and distributed by the Entertainment Group's domestic sales department.





Playboy Online

In 2000, Playboy Online moved closer to its goal of reaching profitability in 2002. The network of sites, which recorded a 50% revenue increase, experienced success in all three revenue streams: e-commerce product offerings of Playboy-branded proprietary items increased approximately 72% compared with 1999; subscription revenues to *Playboy Cyber Club* (<http://cyber.playboy.com>) grew 64% year over year; and Playboy Online added more than 100 new advertisers to its roster. In order to continue building the business, Playboy Online formed strategic alliances with such industry heavyweights as SportsLine.com, Inc., Terra Lycos, Yahoo! and Radio Free Virgin. Popular editorial highlights ranging from the Whassup? Flash animation parody of the media's coverage of the Elián González case to the popular Sexiest Sportscaster poll drove unique user traffic up 125%. *Playboy.com* retains its position as a leading lifestyle and entertainment site appealing to 18-to-34-year-old men. In 2001, Playboy Online intends to launch three additional revenue streams, broadening our entertainment reach with online gaming, international sites and the Spice subscription site.

(Above left) Celebrity chats draw visitors to *Playboy.com*, allowing the brand to be introduced to a new audience, who are then offered magazine subscriptions and memberships to *Playboy Cyber Club*. Cross-promoting her cover pictorial in *Playboy* magazine and the synchronized release of 50 exclusive photos in *Playboy Cyber Club*, Darva Conger, from the Fox TV network's *Who Wants to Marry a Multi-Millionaire?*, generated an 85% increase in traffic among at-home users the week of her chat.

(Above right) As a profitable online subscription revenue stream, *Playboy Cyber Club* offers exclusive insider access to unique Playboy-branded content. The site ended the year with nearly 67,000 subscribers, a 68% year-over-year growth in membership. *Playboy Cyber Club* introduced a weekly pictorial feature, the Playboy Cyber Girl, in 2000. In January 2001, members began voting for Playboy Cyber Girl of the Month, who is then featured in a new pictorial, video clips and a live chat.

(Below) In the first half of 2001, Playboy Online will add a new revenue stream—online gaming. Launching with *PlayboySportsBook.com*, a partnership with Ladbrokes eGaming Limited, the site offers a full range of sports wagering, allowing international consumers to bet on U.S. and international sports. The site will have safeguards to prevent betting from the United States and other places where online sports wagering is illegal. Licensed and operated out of Gibraltar, *PlayboySportsBook.com* includes highlights of daily sports wagering, event coverage, sports commentary, scores and statistics and features the Betting Bunny, the interactive hostess who provides tips and touts while guiding users through the site.



(Right) E-commerce was Playboy Online's fastest-growing revenue stream in 2000, offering more than 3100 Playboy-branded items through *PlayboyStore.com*. The year's top-selling product categories included apparel, lingerie, jewelry and collectibles.



(Above) *SpiceTV.com* is gearing up for the 2001 launch of a subscription revenue component offering adult pictorials, video clips and other exclusive content. Currently, the site provides premiere and regular programming schedules for the Spice TV networks, profiles of Spice stars, the hottest news and advice, sexy gossip, and adult book and movie reviews. It also features the *SpiceTV Store*, which offers more than 3500 adult-oriented products, including videos and DVDs, lingerie and sensual products.



(Above) Using the latest cutting-edge technologies, Playboy Online provides behind-the-scenes access to Playboy events and Mansion life through original streaming video and live events produced for the Web. In 2000, tickets for two to the Midsummer Night's Dream party at the Mansion sold for \$11,000. Additionally, the Mardi Gras 2000 Webcast received an 85% increase in page traffic year over year, attracting sponsors Captain Morgan Original Spiced Rum, RealNetworks and Gathering of Developers.



(Right) Super Lovers Co., Ltd., the sublicensee signed in 2000 as part of Playboy's master license agreement with Mitsui & Company, Ltd., has begun developing men's and women's apparel and sportswear lines. In 2001, these Playboy-branded fashions will be distributed through shop-in-shops in high-end Japanese department stores such as Laforet and Isetan, as well as through the first freestanding Japanese Playboy boutique, scheduled to open in the next year.



(Above) Playboy continued the expansion of its retail presence across the United States. From barware to apparel, products bearing the Playboy brand name or Rabbit Head Design are now sold in more than 1000 specialty stores, including the hip chain Urban Outfitters.

Licensing

Playboy's product licensing program is a high-margin business that promotes brand awareness through the use of its brand-name images and distinctive Rabbit Head Design logo on a range of apparel, accessories and collectibles. In 2000, sales for Playboy's domestic sportswear apparel line, produced by California Sunshine Activewear, Inc., grew more than 350% compared with 1999. With Playboy products available in more than 100 countries and territories around the world, the company is building upon the momentum of its domestic sales success to expand its apparel program internationally. Domestic media attention for the Playboy line's popular look in *In Style*, *Women's Wear Daily* and *Vanity Fair* fueled international coverage in fashion-forward publications such as *Elle*, *Vogue*, *Glamour* and *Bazaar*, solidifying Playboy's reputation as a fashion-industry player.



(Far left) Building on the success of its men's and women's T-shirt lines, Playboy expanded its California Sunshine-licensed apparel offerings to include a range of denim wear and men's and women's woven shirts, featuring artwork and photography from Playboy's archives.

(Left) Playboy has become an arbiter of style among today's 18-to-34-year-old fashion-conscious men and women. Hot designer Betsey Johnson built her Spring 2001 Collection fashion show around "Playboy Bunnies" and has licensed five designs to Playboy to be reproduced by California Sunshine.



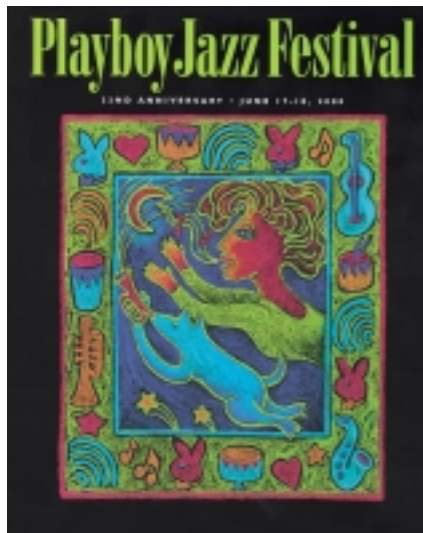
(Left) Having long recognized the power of film to expose injustice and advocate social change, the Playboy Foundation's *Freedom of Expression Award* given at the Sundance Film Festival honors the documentary that best educates the public about an issue of social concern. This year's recipient, Tom Shepard's *Scout's Honor*, recounts the remarkable stories of a 12-year-old boy and a 69-year-old man who, as heterosexuals speaking out against the antigay policies of the Boy Scouts of America, turned the organization they cherish against them.

Public Affairs

To preserve the principles of freedom and democracy, the Playboy Foundation, the company's philanthropic arm, contributes to local and national nonprofit organizations that protect civil liberties and promote social justice. Since its inception, the Playboy Foundation has contributed more than \$14 million through grants, matching gifts and in-kind donations. This year, the Playboy Foundation awarded more than \$600,000 in grants to organizations devoted to reproductive rights, civil rights and civil liberties such as the National Abortion Reproductive Rights Action League, Southern Center for Human Rights and Student Press Law Center. In addition, the Playboy Foundation donated more than one million dollars in public service advertisements in *Playboy* magazine for such organizations as People for the American Way, Association of American Publishers' "Get Caught Reading" campaign and Jazz Musicians' Emergency Fund.



(Above) In 2000, the Playboy Foundation awarded \$10,000 to the NAMES Project Foundation AIDS Memorial Quilt Historically Black Colleges and Universities Initiative, launched by Coretta Scott King to raise awareness among this demographic particularly affected by the disease. Panels of the quilt—memorializing mostly African American men, women and children—toured schools in 10 states as part of a greater HIV education program, which includes prevention information, on-site HIV testing, counseling and local resource provider referrals.



(Above) Music enthusiasts filled the Hollywood Bowl for the 22nd Annual Playboy Jazz Festival in June 2000. Representing every aspect of jazz from classic to contemporary, swing to salsa and blues to big band, the two-day event—emceed by Bill Cosby—included performances by Wynton Marsalis, Dianne Reeves and Los Van Van. Continuing its tradition of community outreach, the Festival sponsored six free concerts, including the fiery salsa of Poncho Sanchez Latin Band, as well as the highly acclaimed "Jazz on Film" series, curated by Mark Cantor.



(Above) Art@work, the Business Committee for the Arts' nationwide program to showcase employees' artistic talents and support art in the workplace, received a \$10,000 grant from the Playboy Foundation. As an early corporate participant in the program, Playboy launched art@work at its Chicago headquarters, with contributions from nearly 50 employee artists. Chairman and CEO Christie Hefner, who will expand the program to another Playboy office in 2001, congratulated employee Reagan Brooks on her oil painting.

SELECTED FINANCIAL AND OPERATING DATA



	Fiscal Year Ended 12/31/00	Fiscal Year Ended 12/31/99	Fiscal Year Ended 12/31/98
(in thousands)			
NET REVENUES			
Entertainment			
Domestic TV networks	\$ 74,457	\$ 74,014	\$ 63,035
International TV	16,998	37,966	12,828
Worldwide home video	8,584	10,534	12,922
Movies and other	916	3,269	2,264
Total Entertainment	100,955	125,783	91,049
Publishing			
<i>Playboy</i> magazine			
Subscription	49,808	51,035	53,012
Newsstand	22,288	22,863	22,424
Advertising	38,408	33,899	30,761
Other	27	58	604
Total <i>Playboy</i> magazine	110,531	107,855	106,801
Other domestic publishing	16,475	18,092	18,285
International publishing	12,864	11,115	10,981
Total Publishing	139,870	137,062	136,067
Playboy Online	25,291	16,104	7,098
Catalog	32,360	60,335	74,393
Other Businesses	9,246	8,533	9,011
Total net revenues	\$307,722	\$347,817	\$317,618
OPERATING INCOME (LOSS)			
Entertainment			
Before programming expense	\$ 58,540	\$ 78,716	\$ 52,575
Programming expense	(33,253)	(34,341)	(26,410)
Total Entertainment	25,287	44,375	26,165
Publishing	6,881	5,977	6,672
Playboy Online	(25,199)	(9,066)	(6,528)
Catalog	54	256	4,100
Other Businesses	887	(436)	(1,083)
Corporate Administration and Promotion	(20,942)	(27,127)	(24,358)
Total segment income (loss)	(13,032)	13,979	4,968
Restructuring expenses	(3,908)	(1,091)	-
Operating income (loss)	\$ (16,940)	\$ 12,888	\$ 4,968

SELECTED FINANCIAL AND OPERATING DATA



(in thousands, except per share amounts, number of employees and ad pages)	Fiscal Year Ended 12/31/00	Fiscal Year Ended 12/31/99	Fiscal Year Ended 12/31/98	Six Months Ended 12/31/97	Fiscal Year Ended 6/30/97	Fiscal Year Ended 6/30/96
SELECTED FINANCIAL DATA						
Net revenues	\$307,722	\$347,817	\$317,618	\$149,541	\$296,623	\$276,587
Interest expense, net	(7,629)	(6,179)	(1,424)	(239)	(354)	(592)
Income (loss) from continuing operations before cumulative effect of change in accounting principle	(47,626)	(5,568)	4,320	2,142	21,394	4,252
Net income (loss)	(47,626)	(5,335)	4,320	1,065	21,394	4,252
Basic income (loss) per common share						
Income (loss) from continuing operations before cumulative effect of change in accounting principle	(1.96)	(0.24)	0.21	0.10	1.05	0.21
Net income (loss)	(1.96)	(0.23)	0.21	0.05	1.05	0.21
Diluted income (loss) per common share						
Income (loss) from continuing operations before cumulative effect of change in accounting principle	(1.96)	(0.24)	0.21	0.10	1.03	0.21
Net income (loss)	(1.96)	(0.23)	0.21	0.05	1.03	0.21
EBITDA (2)	23,875	58,722	39,267	17,255	41,519	35,321
Cash flows from operating activities	(31,241)	15,761	(11,524)	(3,736)	1,539	4,716
Cash flows from investing activities	(3,798)	(67,787)	(9,706)	(1,991)	(2,450)	(4,168)
Cash flows from financing activities	\$ 14,045	\$ 75,213	\$ 20,624	\$ 5,371	\$ (224)	\$ 419
AT PERIOD END						
Total assets	\$388,488	\$429,402	\$212,107	\$185,947	\$175,542	\$150,869
Long-term financing obligations (3)	\$ 94,328	\$ 75,000	\$ -	\$ -	\$ -	\$ 347
Shareholders' equity	\$114,185	\$161,281	\$ 84,202	\$ 78,683	\$ 76,133	\$ 52,283
Long-term financing obligations as a percentage of total capitalization	45%	32%	-%	-%	-%	1%
Number of common shares outstanding						
Class A voting	4,859	4,859	4,749	4,749	4,749	4,749
Class B nonvoting	19,407	19,288	15,868	15,775	15,636	15,437
Number of full-time employees	686	780	758	684	666	621
SELECTED OPERATING DATA						
Playboy magazine ad pages	674	640	601	273	558	569
Cash investments in Company-produced and licensed entertainment programming	\$ 33,061	\$ 35,262	\$ 25,902	\$ 14,359	\$ 30,747	\$ 25,549
Amortization of investments in Company-produced and licensed entertainment programming	\$ 33,253	\$ 34,341	\$ 26,410	\$ 11,153	\$ 21,355	\$ 21,263
Domestic Playboy TV households (at period end)						
Cable analog addressable (4)	11,000	11,700	11,700	11,600	11,200	11,300
Cable digital (4)	3,200	1,300	200	-	-	-
Satellite direct-to-home	15,400	12,400	9,800	6,800	6,300	4,900
Domestic Spice households (at period end) (5)						
Cable analog addressable (4)	12,000	13,600	-	-	-	-
Cable digital (4)	4,500	2,800	-	-	-	-

(1) Certain amounts reported for prior periods have been reclassified to conform to the current year's presentation.

(2) EBITDA represents earnings from continuing operations before interest expense, income taxes, cumulative effect of change in accounting principle, depreciation of property and equipment, amortization of intangible assets, amortization of investments in entertainment programming, amortization of deferred financing fees primarily related to the Spice acquisition, expenses related to the vesting of restricted stock awards and equity in operations of PTVI and other. EBITDA should not be considered an alternative to any measure of performance or liquidity under generally accepted accounting principles. Similarly, it should not be inferred that EBITDA is more meaningful than any of those measures.

(3) The fiscal year 2000 amount includes \$5,000 loaned to Playboy.com, Inc. from Hugh M. Hefner.

(4) There is an overlap of cable analog addressable and digital households due to some cable operators offering both analog and digital platforms to the same households.

(5) The Company acquired Spice on March 15, 1999.



BOARD OF DIRECTORS

Christie Hefner

Chairman of the Board and
Chief Executive Officer,
Playboy Enterprises, Inc.
Director since 1979

Dennis S. Bookshester

Chief Executive Officer,
Fruit of the Loom, Inc.
Chairman, Audit Committee
Member, Compensation Committee
Director since 1990

David I. Chemerow

Member, Audit Committee
Director since 1996

Donald G. Drapkin

Vice Chairman and Director,
MacAndrews & Forbes Holdings Inc.
Member, Compensation Committee
Director since 1997

Sol Rosenthal

Of Counsel, Arnold & Porter
Chairman, Compensation Committee
Director since 1985

Richard S. Rosenzweig

Executive Vice President,
Playboy Enterprises, Inc.
Director since 1973

Sir Brian Wolfson

Chairman, Fruit of Loom, Inc.
Chairman, Kepner-Tregoe Inc.
Member, Audit Committee
Director since 1996

(Pictured left to right) Dennis S.
Bookshester, Donald G. Drapkin,
David I. Chemerow, Christie Hefner,
Sol Rosenthal, Sir Brian Wolfson,
Richard S. Rosenzweig.

CORPORATE OFFICERS

Hugh M. Hefner

Founder and Editor-in-Chief

Christie Hefner

Chairman of the Board and
Chief Executive Officer

Michael T. Carr

Executive Vice President, President,
Publishing Group and Publisher,
Playboy

James L. English

Executive Vice President and
President, Entertainment Group

Linda G. Havard

Executive Vice President, Finance and
Operations and Chief Financial Officer

Richard S. Rosenzweig

Executive Vice President

Garry W. Saunders

Executive Vice President and
President, Casino Gaming Group

Howard Shapiro

Executive Vice President,
Law and Administration,
General Counsel and Secretary

Robert D. Campbell

Senior Vice President,
Treasurer and Strategic Planning

Martha O. Lindeman

Senior Vice President,
Corporate Communications and
Investor Relations

Alex Vaickus

Senior Vice President and
President, Product Marketing Group

Danielle Barcilon

Vice President, Corporate Technology

Michael S. Dannhauser

Vice President and
Corporate Controller

Carol A. Devine

Vice President, Human Resources

Cleo F. Wilson

Vice President, Public Affairs

EXECUTIVE GROUP OFFICERS

Publishing Group

Michael T. Carr

President and Publisher, *Playboy*

Arthur Kretchmer

Executive Vice President,
Editorial Director and
Associate Publisher, *Playboy*

Entertainment Group

James L. English

President

Jeffrey M. Jenest

Executive Vice President

Brian W. Quirk

Executive Vice President,
Sales and Affiliate Marketing,
Pay Television

Sol Weisel

Executive Vice President,
Production and Operations

Playboy Online

Lawrence R. Lux

President

Apostolos D. Kallis

Executive Vice President and
Managing Director, Internet Gaming

Product Marketing Group

Alex Vaickus

President

Casino Gaming Group

Garry W. Saunders

President

Playboy Foundation

Burton Joseph

Chairman of the Board

Cleo F. Wilson

Executive Director

SHAREHOLDER INFORMATION

Stock Listings

Playboy Enterprises, Inc. common
stock is listed on the New York Stock
Exchange and the Pacific Exchange.

Ticker symbols:

Class A (voting): PLA A
Class B (nonvoting): PLA

Registrar/Transfer Agent

LaSalle Bank National Association
135 S. LaSalle St., Chicago, IL 60603
Attn: Corporate Trust Operations
Phone: 1.800.246.5761

Annual Meeting

The annual meeting of shareholders
will be held at 9:30 A.M. on
Wednesday, May 9, 2001, at
Sheraton Chicago Hotel & Towers,
301 East North Water Street,
Chicago, Illinois. Registration will
be held in the lower level lobby in
front of the Missouri meeting room.

Form 10-K

The company's Form 10-K, as filed
with the Securities and Exchange
Commission, is available from the
Corporate Communications
Department at 312.373.2438.

Investor Relations

Martha O. Lindeman,
Senior Vice President, Corporate
Communications and Investor Relations
312.373.2430
E-mail: ir@playboy.com

Quarterly Results

Shareholders who wish to receive the
company's quarterly results should
call the Corporate Communications
Department at 312.373.2438, or
e-mail ir@playboy.com. A summary of
the current quarter's results is posted
at www.playboyenterprises.com.