Loews Corporation
666 Fifth Avenue
New York, N.Y. 10019

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1981 Annual Report to Employees

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Loews Corporation reported record revenues and operating income in 1981. We wish to commend each one of you for your contributions to this continued growth. Your commitment, experience, and practical knowledge are among the distinctive elements of our achievements.

Conditions in the national economy and intensified competition in our product lines and services will place increasing pressure on us in 1982. We can meet this challenge by using the strengths of our past—hard work, creative ideas, and close teamwork.

We wish you continued success in your careers at Loews.

Sincerely,

Laurence A. Tisch
Chairman of the Board

Preston R. Tisch
President

February 24, 1982

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TO OUR SHAREHOLDERS AND EMPLOYEES

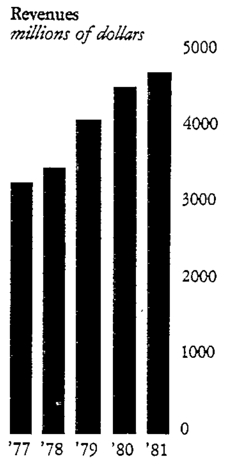
1981 was the fifth consecutive year in which Loews Corporation reported record revenues and operating income.

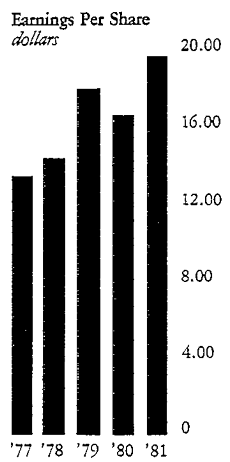
Assets grew to $9.9 billion. Shareholders' equity reached $1.4 billion.

The results for 1981 are summarized as follows:

Income from operations for 1981 increased 20.8% to $268.2 million, equal to $20.96 per share. Income from operations for the prior year amounted to $222.0 million, or $17.99 per share.

Income from operations for 1981 includes gains totalling $58.3 million, or $4.51 per share, on sales of real property and of the Drake Hotel in New York City. Income from operations for the prior year included a gain on the sale of the Warwick Hotel in New York City of $18.8 million, or $1.56 per share, and a gain of approximately $6.4 million, or $.53 per share, relating to dispositions of real property by CNA Financial Corporation's Larwin subsidiary.





Net income, which includes the gains on sales of hotels and other real property, amounted to $253.2 million, or $19.79 per share, for 1981, compared to net income of $206.1 million, or $16.70 per share, for 1980.

Net income for 1981 also includes realized investment losses amounting to $11.1 million, or $.87 per share, and a loss of $3.8 million, or $.30 per share, relating primarily to discontinued operations of an unconsolidated affiliate of CNA. Net income for the prior year included realized investment losses of $15.9 million, or $1.29 per share.

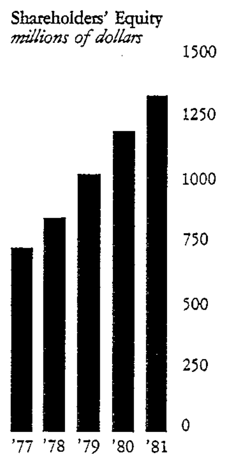
1981 consolidated revenues increased 5.3% to $4.8 billion from $4.5 billion a year ago.

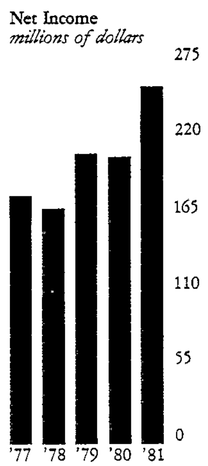
Lorillard

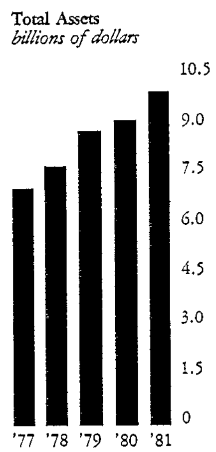
Sales and earnings growth of Lorillard continued at very satisfactory levels during 1981 despite an intense competitive environment. Lorillard faced the introduction of an unprecedented number of competitive new brands, brand extensions and packings, primarily aimed at the low-tar segments of the market, where it has positioned itself so successfully in recent years.

While competitors' introductions, supported by significant advertising and promotional expenditures, reduced Lorillard's share of the market, the Division has countered with aggressive and innovative marketing and development programs.

Operating results reflect price increases during the year; however, they also reflect the growing state and local tax burden. A very substantial increase in the Federal excise tax on cigarettes was narrowly averted in early 1982, and Lorillard was gratified by the number of employees and shareholders who made their views known to lawmakers.







1981 marked the twenty-fifth year of operations at Lorillard's Greensboro, North Carolina, plant and completion there of a 122,000 square foot manufacturing addition and a 34,000 square foot warehouse facility. This expansion will provide an ability to meet the demands of increased packings needed to compete effectively in the marketing climates the Division foresees.

At Danville, Virginia, new computer-controlled conditioning and drying operations were completed and installed. At Louisville, Kentucky, the cigarette blending operation was completely renovated. These improvements will serve to insure increased yields of leaf tobacco, and more efficient and economical operations.

Product introductions and extensions were extremely important during the past year. In addition, several new Lorillard products are currently being tested. New advertising campaigns for these and existing products were initiated with substantial success.

The Division's very successful Newport brand registered a sales increase for the year in excess of 23%, the second largest increase of any cigarette brand sold in America.

Bold new advertising campaigns included extension of the Kent III cities campaign with themes tailored to particular locales. The True brand followed with a new True "You Found It" campaign, highlighted by extremely attractive copy featuring the distinctive True label positioned in the midst of colorful scenes. Other new advertising included the catchy Golden "de" Lights campaign.

While small in comparison to cigarette volume, the chewing tobacco segment of the market continues to grow. Lorillard is directing heightened attention to its successful Beechnut brand and has reformulated, re-packaged and expanded distribution of Big Red.

The effective distribution of Lorillard products is a very material part of the Division's success in its efforts to obtain that one vital step ahead of the competition wherever possible. Among other merchandising accomplishments, Lorillard's reputation for understanding its wholesale distributors' needs was enhanced with the introduction of an innovative incentive program for this important group.

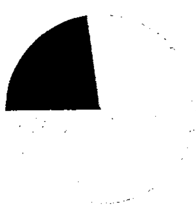
CNA Financial

CNA Financial Corporation experienced generally satisfactory results in 1981, considering the strong negative pressures affecting both the economy and the industries in which it does business.

Intense competition, inflation and extremely high interest rates, and the recessionary economy, adversely impacted the insurance industry. In 1981, the property and casualty industry recorded the worst underwriting loss in its history.

CNA's insurance underwriting results reflect these adverse external factors. During 1981, however, the company continued to display strength and stability in the face of a harsh marketing climate.

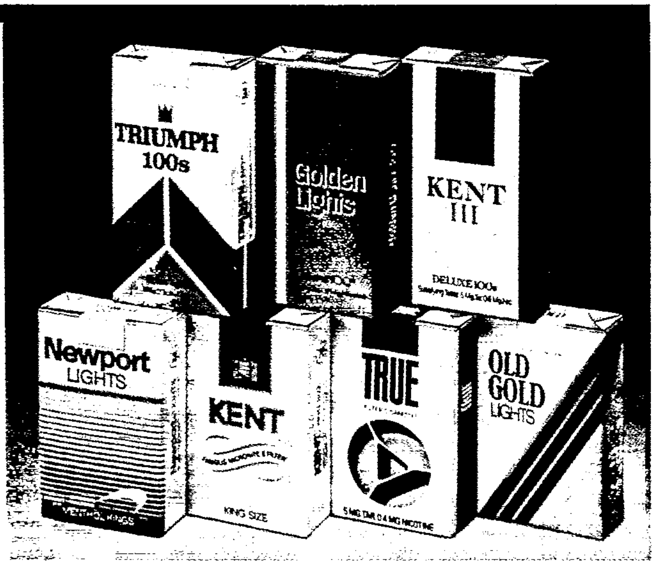
Tobacco



Revenues

$1,108,637,000

23.21%



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CNA has responded to difficult business conditions by re-emphasizing the management strategy it has adhered to consistently for the past half dozen years. This strategy focuses on pursuing an aggressive all-lines approach to insurance sales, building a strong relationship with its agents, sharpening operational efficiency, and tightening controls on expenses.

Among marketing actions taken in 1981 was a significant strengthening of CNA's support for writing and servicing of large accounts, which include a wide variety of businesses and associations. Further progress also was made in stimulating life insurance sales by CNA's property and casualty agents. CNA ranks among the most innovative companies in assisting its agents to maximize their sales by filling all of their clients' needs.

Expanding the size of the sales force remains essential to attaining CNA's objectives for growth in volume and earnings. Since 1978 there has been a 55 percent increase in the number of agencies representing CNA. These agencies have brought substantial amounts of new business to CNA. In this expansion process, the company is selective and seeks out agencies that are profitable, growth-oriented, and that produce quality business.

The competitive nature of today's marketplace has reinforced CNA's commitment to a closer business relationship with its agents. The CNA High Performance Agency Program continues to be one of the most progressive in the industry. It provides an opportunity for greater market stability, with commission levels meeting the independent agents' needs, while assuring the company of steady business growth. During 1981 CNA furthered its role within the industry as a champion of the independent agent by calling for a "Re-Declaration of Independence" for independent agents and the insurers they represent. As part of this "Re-Declaration," the company proposed a "Bill of Rights" stressing the responsibility of agents and insurers to work together more efficiently to serve the consumer.

During 1981 workflow improvements were initiated to further reduce the number of steps in many business procedures. The number of forms used was reduced by 20 percent; documents were reduced in scope where possible, to provide a faster flow of information; and procedures for storage and retrieval of business information were streamlined.

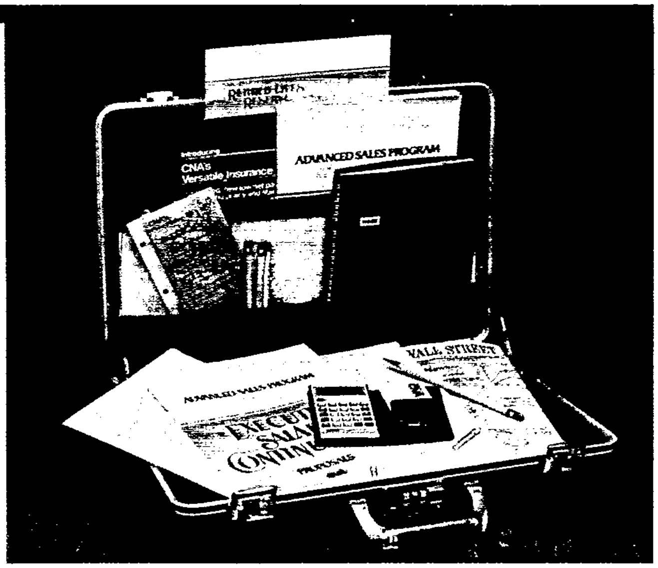
General Finance Corporation, CNA's consumer finance subsidiary, had an extremely difficult year due to the increased cost of its short-term debt and an unfavorable regulatory climate. Changes in the bankruptcy laws resulted in a significant increase in charge-offs of consumer finance receivables. Since the beginning of 1981 approximately 130 consumer finance offices have been closed or consolidated and $39,000,000 in receivables sold. These actions will substantially reduce expenses and the burden of short-term debt.

While 1981 was, for the most part, a disappointing year for the industries in which CNA is actively involved, its overall performance was sound. Management has acted to deal with a severely competitive marketplace and an uncertain economy. It is determined to continue the strategies that have sustained its forward progress.

Insurance

Revenues

$3,126,481,000
65.46%



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₋oews Hotels

1981 was an excellent year for Loews Hotels. While not immune to the factors adversely affecting the industry, which include increased airfares and costs of goods and services, and a depressed business climate, the Division more than held its own. Much of the Division's success can be attributed to its approach to the hotel business on a basis of selective properties keyed to relationship to the city and site, as opposed to chain expansion.

The Division's business has been directed more than ever toward capitalizing on the Loews Hotels expertise in management services and systems, and expansion through management of properties constructed by others and aided by financial commitments on the part of the Division. When attractive opportunities have arisen, Loews Hotels has not hesitated to invest in leased and managed properties and to purchase existing properties which can be refurbished and restyled in the Loews manner, such as has been the case with the very successful Loews Westbury in Toronto and Loews Harbour Cove on Paradise Island in the Bahamas.

During the year the 340 room Loews Bermuda Beach Hotel was purchased by Loews Hotels, and it is now undergoing a substantial program of enhancement. High atop a hillside overlooking the 17th Century town of St. George, Loews Bermuda Beach is a self contained total resort complex featuring guest rooms and suites with individual terraces and sweeping ocean views. In addition to a magnificent beach with extensive beach club and water sports facilities, the hotel complex contains its own challenging 9 hole golf course, two swimming pools and four all weather tennis courts lighted for night play.

A major renovation of the recently acquired Loews Harbour Cove on Paradise Island was completed during the year. With a relatively short period remaining on the Loews lease of the Paradise Island Hotel and Villas, the Division's leasehold interest was sold to the lessor on very favorable terms at year-end. The Division will concentrate its efforts on Paradise Island on the new Loews Harbour Cove.

Loews Hotels progressed during the year with a number of new and exciting development projects. Construction commenced on the proposed four-star deluxe, beach front, Loews La Napoule Hotel on the French Riviera. When completed the hotel will command sweeping views of the Mediterannean Sea and of the world famous Mandelieu golf course. The hotel, which will contain 220 rooms and suites and an in-hotel casino, promises to be one of the magnificent resort complexes of the world.

Management agreements for a number of other projects were entered into or implemented during the year. Loews has committed funds under most of these agreements. These projects include the proposed Loews Prestonwood, Dallas, Texas; Loews Glenpointe, Teaneck, New Jersey; Loews Paradise Valley, Scottsdale, Arizona; Loews Annapolis, Maryland; Loews Paris, France; and a 450 room tower addition to the Loews Anatole in Dallas.

The Barbarons Beach Hotel, in the Seychelles Islands, enjoyed a most successful first full year as a Loews Affiliated Hotel.

Hotels represented by the Loews reservation service, L.R.I., Inc., increased to over 250 during 1981.

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Revenues

$240,256,000
5.03%

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Through well timed repositioning and sales of properties on attractive terms in areas which did not carry the potential for long-term growth, the Hotel Division has postured itself to prosper through the soft economic conditions in the industry it foresees for the immediate future. More important, the Division is well prepared for further aggressive, yet selective, expansion.

Loews Theatres

The Loews Theatres Division reported record box office receipts, attendance and operating profit for 1981, and continued its course of substantial expansion in growth areas. At year-end the circuit total had increased to 160 screens.

Results for 1981 were substantially aided by product which proved to have a high level of public acceptance.

The success of the new Loews 34th Street Showplace, which opened in New York City in May, fully met the most optimistic expectations of management. This new triplex theatre includes all the amenities for which Loews Theatres are noted. The same concepts have been embodied in the Division's new projects in growing suburban areas outside New York City.

During the year the Division assumed management of the Paramount Theatre at Columbus Circle in New York City, and acquired the Showboat Quad Theatre in the suburban Fort Lee area of Northern New Jersey. In Indianapolis two beautiful new six-screen theatres were opened in June. Just prior to Christmas a five-screen theatre complex was opened at Plano, Texas, a fast growing North Dallas suburb.

Construction was commenced during the year on two strikingly modern theatre complexes in New Jersey, one at Wayne, opposite the huge Willowbrook Mall, and one near the famous Meadowlands Sports complex, home of the New York football Giants.

Among the many projects in the planning stage are very exciting multi-screen complexes in Indiana and Texas and in the Northeast as well as the Sun Belt.

Results of the Division for the year certainly tend to confirm recent independent national surveys and the strongly held view of the Division that people will continue to find the experience of seeing a film on a large screen, in the atmosphere of a theatre, to be superior to home entertainment and television movies. The Division's new theatres have demonstrated that special attraction.

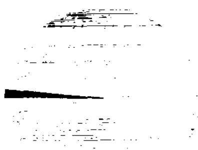
In keeping with a basic Loews policy, while growth is aggressively pursued it is approached selectively to take advantage of trends in the location of the moviegoing population.

Bulova

1981 was the second full year of the Company's ownership interest in the Bulova Watch Company; but more important, a year which saw substantial progress in a multi-year undertaking of complete restructuring, redirection and revitalization of this long-established company.

Virtually every aspect of the watch-making operation is being overhauled. In the process, manufacturing operations have been consolidated, excess plant and ancillary aspects of the business have been disposed of and writedowns have been taken accordingly. Totally new

Theatres



Revenues

$59,956,000
1.26%

systems for accounting, cost control, quality control and assembly have been installed.

These efforts have, of course, entailed significant losses, but management believes they will posture Bulova to regain its position and reenter the ranks of profitability, notwithstanding a very competitive environment and a difficult economy.

The entire watch line was restyled during 1981. Sales and marketing operations were restructured; management training programs initiated; and new advertising and promotional campaigns developed and implemented. Introduction of the new Accutron Swiss line during the year represented a significant aspect of these efforts.

The Bulova Clock Division registered close to a 28% increase in shipments; and premium merchandising operations generated record volume with a 33% increase in units shipped.

Bulova Italy enjoyed continued profitability during the year, and royalty income under distribution agreements for other parts of the world also increased. Bulova Canada had a very disappointing year.

Following the close of the year agreements were completed providing for transfer and phasing out of movement and related manufacturing facilities in Switzerland and France, where excess capacity would have resulted in substantial losses. These agreements at the same time provide for an alternative source of high quality movement supply.

The Military Defense segment of the business has remained very stable with continued profitability throughout the period.

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On behalf of the Board of Directors, we thank our employees and shareholders for their commitment and support.

Sincerely,

Laurence A. Tisch Preston R. Tisch

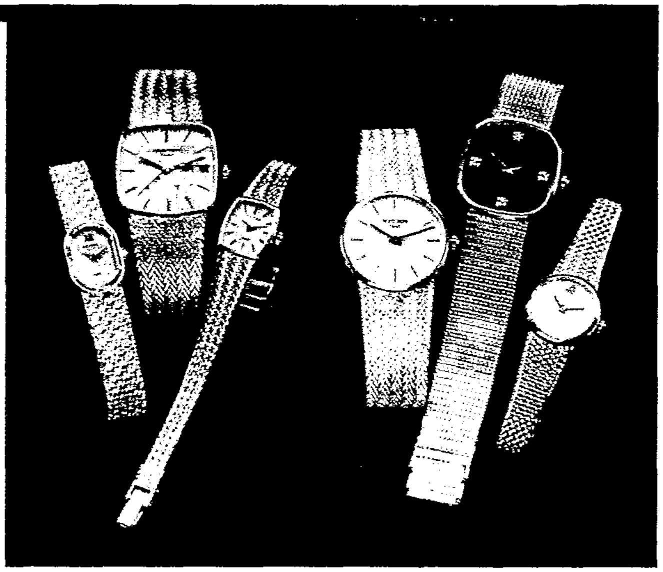
Laurence A. Tisch
Chairman of the Board

Preston R. Tisch
President

February 24, 1982

Watches

Revenues
$179,523,000
3.76%



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(Amounts in thousands)	Revenues 1981	Revenues 1980	Revenues 1979	Income Contribution 1981	Income Contribution 1980	Income Contribution 1979
CNA Insurance	$2,981,137	$2,792,800	$2,511,322	$106,095	$116,557	$196,305
Lorillard	1,108,637	1,053,022	950,955	178,157	158,594	111,544
Loews Hotels	240,256	228,704	175,265	101,783	82,436	39,380
Loews Theatres	59,956	54,738	45,715	12,923	11,749	7,785
Bulova Watch	179,523	197,280	166,273	4,710	3,330	9,347
General Finance	145,344	150,216	139,078	32,167	49,713	54,341
Investment income—net	24,805	27,425	43,158	24,805	27,425	43,158
Other	36,561	30,913	33,709	22,402	20,991	9,075
Realized investment (losses) gains				(19,769)	(31,064)	29,834
Total	$4,776,219	$4,535,098	$4,065,475	463,273	439,731	500,769
Interest and corporate expenses, income taxes, minority interest and discontinued operations—net				210,060	233,632	298,471
Income Before Extraordinary Item				253,213	206,099	202,298
Extraordinary Item—net						6,282
Net Income				$253,213	$206,099	$208,580

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