Dynamic & Stable

LETTER TO OUR SHAREHOLDERS AND EMPLOYEES

from left to right

JONATHAN M. TISCH
Co-Chairman of the Board of Loews, Chairman of Loews Hotels

JAMES S. TISCH
President and Chief Executive Officer of Loews

ANDREW H. TISCH
Co-Chairman of the Board, and Chairman of the Executive Committee of Loews

"It's rare for a Fortune 500 company to have an open door and a first name culture. It drives collaboration and transparency."
– Andrew Tisch

"The only constant is change." When this now-familiar truism was first articulated in ancient Greece more than two thousand years ago, it was conceivably a stark new revelation. Today we acknowledge it is a fact, not only in life, but also in business. Loews could be the poster-child for this aphorism; our businesses today bear little resemblance to the Loews of 50 years ago, and historically we have been nimble in our responses to changing times and circumstances. Paradoxically, however, our dynamism has been made possible by an investment philosophy that has remained solid and indeed constant throughout the years. We follow the path set by Larry and Bob Tisch, two brothers from Brooklyn who started working together in the 1950s and formed a remarkable team. Larry and Bob were committed to a stable foundation of value investment principles, and it was this commitment that enabled them, and continues to enable us, to take advantage of countless opportunities for growth and reinvention.

Loews's adherence to the principles of value investing and conservative management means that we strive to:

- acquire assets and companies at attractive prices;
- manage our businesses and resources conservatively, and with a long-term focus;
- maintain liquidity to seize opportunity when it emerges, while minimizing risk; and
- navigate business cycles.

Carefully navigating through business cycles was a focus for us in 2011. Loews and its subsidiaries continued to weather the economic storm, while remaining positioned strategically and financially to take advantage of whatever might come our way. Though net income was down year over year—from $3.07 per share in 2010 to $2.63 per share in 2011—each Loews subsidiary strengthened its operations in important ways, becoming a better and more durable competitor.

CREATING VALUE

We never tire of saying that the Loews management team has a singular focus: to build long-term value for shareholders. We pursue our goal in three ways: by allocating Loews's capital effectively and prudently, by making opportune investments and acquisitions, and by working to enhance the operating performance and capital structure of our subsidiary companies.

Our **first** principle for creating long-term value is to manage and allocate Loews's capital effectively. In 2011, we spent $718 million buying back 18.2 million shares of Loews common stock. Repurchasing Loews common stock at prices we consider favorable is a longstanding practice here at Loews because it boosts the value of all remaining outstanding shares. In fact, it is not an exaggeration to say that we have a "long and glorious history" of buying back our own shares. Over the past four decades, Loews has used share repurchases to reduce the number of outstanding shares by nearly 70 percent—from a split-adjusted 1.3 billion shares in 1971 to 397 million shares at year-end 2011.

Second, we constantly focus on opportunities to allocate our capital for investments and acquisitions that position us for future growth. This past year Loews did not make any acquisitions at the holding company level. We did, however, facilitate significant investments for two of our subsidiaries, Boardwalk Pipeline and HighMount Exploration & Production. These investments should serve to greatly enhance the long-term value of those two companies and, of course, of Loews.

ENHANCING THE VALUE OF LOEWS SHARES

1 Effectively manage and allocate Loews's capital.

2 Focus on making opportune investments and acquisitions that position us for future growth.

3 Constantly work to enhance our subsidiaries' operating performance and capital structure.

STRENGTH • OPPORTUNITY • VALUE

We feel no pressure to make acquisitions, even given the current historically low returns on short-term cash instruments. It is our strong belief that the ability to take advantage of attractive acquisition or share repurchase opportunities justifies the earnings drag from carrying large cash balances.

Our **third** fundamental principle for value creation is that we continually work to enhance our subsidiaries' operating performance and capital structure. The management team at each subsidiary shares our approach to building long-term value, eschewing short-term thinking in favor of long-term planning and execution. During the past several years our subsidiaries have made great progress in establishing strategic and financial goals and driving toward them, which should make our subsidiaries stronger and better able to compete in any economic climate.

TIMELESS PRINCIPLES, CONSTANT REINVENTION

At Loews, we are ardent believers in the timeless principle of disciplined value investing. We constantly look to acquire businesses at prices below the true value of their assets or cash flows. We don't require immediate gratification and are willing to see our subsidiaries accrue value over time. This principle, coupled with skillful management, is the best way we know to deliver superior shareholder returns.

"We know value when we see it. Value investing is a focus on the balance sheet. It is a focus on the sustainability of earnings. And it's the expectation that you're going to pay less than a dollar for a dollar's worth of assets."

–Jim Tisch

Loews has provided superior returns for more than 50 years by managing with a view to the long term and by avoiding a myopic focus on results for any single quarter or year. Loews shareholders have enjoyed the fruits of our long-term, value-oriented approach: Over the past 50 years, the price of Loews common stock has grown at an average annual rate of approximately 14%, compared with an approximate 6% growth rate for the S&P 500.

As long-term value investors, we understand the necessity of continual reinvention. In today's marketplace, enterprises must constantly reinvent themselves or risk becoming noncompetitive. Even though we shy away from businesses with serious obsolescence risk, where a product cycle may last less than a year or two, our seemingly "stable" businesses also must constantly adapt or be in jeopardy of falling behind. To paraphrase hockey great Wayne Gretzky, we try to skate to where the puck is going to be, not to where it has been.

We are not in the business of predicting when a robust economic recovery will take hold. In our view, those who live by the crystal ball must learn to eat ground glass. What we can state with confidence, however, is that we have built our financial house out of bricks and expect to be able to withstand whatever economic huffing and puffing may come our way. Likewise, when a durable economic recovery does occur, we believe that Loews will benefit from the forward-thinking leadership in place at each of our subsidiaries.

In such a dynamic and changing world, we believe financial flexibility is of paramount importance. Our holding company portfolio of cash and investments amounted to $3.3 billion at the end of 2011. Our liquidity allows us to move without impediment when opportunity presents itself, whether it is a chance to make an acquisition, repurchase shares at bargain prices, or finance an important investment in a subsidiary when outside financing on reasonable terms is unavailable.

BUILDING FOR THE LONG TERM

We pursue our overriding objective of building long-term shareholder value by trying to execute well on the basics. We invest in good assets with strong growth potential at prices we consider advantageous. We ensure that each of our subsidiaries is headed by a talented CEO and executive team with extensive industry experience and that their strategies and practices are aligned with our principles of long-term value creation. We endeavor to generate various sources of cash flow, including dividends paid by our subsidiaries to the holding company, which in turn give us the liquidity to take advantage of fresh opportunities.

New acquisitions by the holding company are comparatively rare at Loews, but we are constantly surveying the landscape and evaluating opportunities. We don't set goals or establish timeframes to acquire our next subsidiary; rather, we do our homework and act only when we believe that it makes sense for our shareholders. We are especially attuned to downside risk, although we certainly scrutinize potential upside to ensure that we make the right risk-reward tradeoffs.

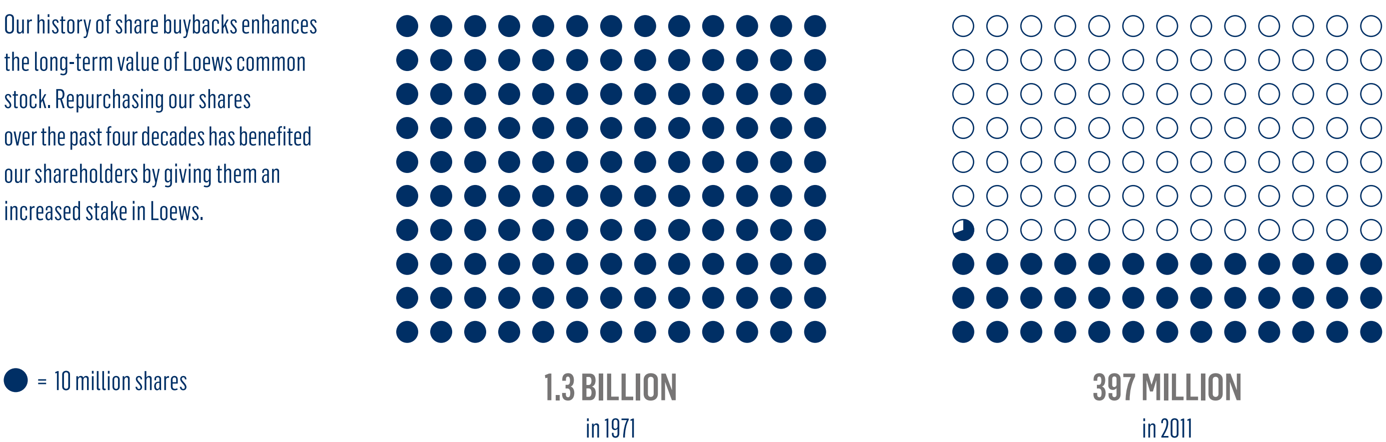
SUM OF THE PARTS

We have spoken before in our annual report about valuing Loews on a sum-of-the-parts basis. We like this approach because it is intuitive and fairly simple. Admittedly equity valuation can be more an art than a science, but in the case of Loews certain important things are known.

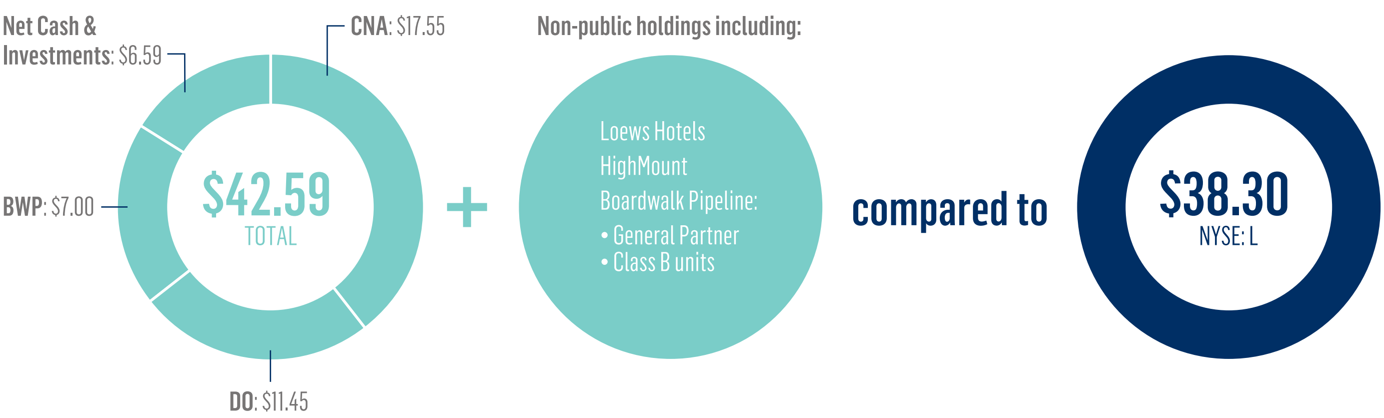
- Of our five subsidiaries, three are publicly traded companies, making our stakes in them easy to value based on New York Stock Exchange trading prices. As of February 17, 2012, our shares of Boardwalk Pipeline, CNA Financial, and Diamond Offshore

SHARES OUTSTANDING SINCE 1971 (adjusted for splits)

Our history of share buybacks enhances the long-term value of Loews common stock. Repurchasing our shares over the past four decades has benefited our shareholders by giving them an increased stake in Loews.



SUM OF THE PARTS VALUE PER SHARE



Per share value of Loews's stake in shares of CNA, DO, and BWP based on New York Stock Exchange closing prices on February 17, 2012 and Loews's net cash and investments at December 31, 2011.

New York Stock Exchange closing price of Loews common stock.

had a total combined value of approximately $14 billion, or just over $36 per Loews share.

- If you add in our holding company cash and investments and back out our $700 million of holding company debt, the value of Loews increases to about $42 per share.
- Finally, you can add to that figure the value of Loews's non-public assets, which include the Loews Hotels and HighMount subsidiaries, and the Boardwalk general partnership interest and Class B units.
- Compare all this to Loews's closing stock price on February 17, 2012 of $38.30. That's what we call a real bargain.

We are asked repeatedly why Loews appears so undervalued, as it seems investors give us little credit for our cash and investments and other non-public holdings. Our response remains the same—We don't control the price of Loews common stock—but we are happy to buy it back at such an attractive discount. What we do control, however, is how we manage Loews, and on that score we remain true to our principles.

"If you look at the evolution of this company over the last 50 years, what has always tied us together is opportunity—as well as respect for our shareholders, our co-workers, and the communities in which we operate."

– Jonathan Tisch

We believe that sticking to our two constants—following our core investing principles while simultaneously embracing change—will benefit our shareholders in the future as it has in the past.

THANK YOU

While we strive each day to build long-term value for our shareholders, we couldn't do this without our talented and dedicated workforce. We want to thank our employees and directors—both at our subsidiaries and at Loews—for their hard work, excellence, and integrity. We also want to thank you, our shareholders, for endorsing our commitment to the precepts of value investing. Your support and encouragement empower us to continue building and managing Loews for long-term value creation.

Sincerely,

James S. Tisch

Andrew H. Tisch

Jonathan M. Tisch

Office of the President
February 22, 2012