



Loews 4th Quarter 2002 Earnings Release

February 13, 2003



NEW YORK--(BUSINESS WIRE)--Feb. 13, 2003--Loews Corporation (NYSE:LTR;CG) today reported consolidated net income (including both the Loews Group and Carolina Group) for the quarter ended December 31, 2002 of \$290.2 million, compared to \$191.0 million in 2001.

Consolidated net income for the year ended December 31, 2002, was \$940.9 million, compared to a net loss of \$587.1 million in 2001. The 2001 results include a restatement of previously reported financial results related to the life settlement business of the Company's CNA Financial Corporation subsidiary, as described below.

The following table summarizes the revenues, net income (loss) and earnings per share information.

| | December 31, | | | |
|---|---------------|---------------|---------------|-----------------|
| | Three Months | | Year Ended | |
| (In millions, except per share data) | 2002 | 2001 (c) | 2002 | 2001 (c) |
| Consolidated: | | | | |
| Revenues (a) | \$4,021.9 | \$4,999.0 | \$17,545.6 | \$18,769.6 |
| Net income (loss) | \$290.2 | \$191.0 | \$940.9 | \$(587.1) |
| Per Share: (b) | | | | |
| Income (loss) per share of Loews Common Stock: | | | | |
| Income (loss) from continuing operations | \$1.37 | \$0.98 | \$4.65 | \$(2.79) |
| Discontinued operations-net | | 0.01 | (0.17) | 0.05 |
| Cumulative effect of changes in accounting principles-net | | | (0.21) | (0.27) |
| Net income (loss) | \$1.37 | \$0.99 | \$4.27 | \$(3.01) |
| Net income per share of Carolina Group Stock | \$0.92 | | \$3.50 | |

(a) Revenue for the three months and year ended 2001 has been restated for comparative purposes to reflect the adoption of new accounting principles related to the classification of certain sales incentives by Lorillard and reimbursements received by Diamond Offshore for "Out-of-Pocket" expenses incurred. Revenue also includes premiums of \$559.0 for the three months ended 2001, and \$1,151.0 and \$2,218.0 for the years ended 2002 and 2001, respectively, related to the National Postal Mail Handlers contract at CNA which was transferred on July 1, 2002. (b) The Company has two classes of common stock, Loews Common Stock and Carolina Group Stock, issued in February 2002. Earnings per

share data are presented for each class of Common Stock for the periods they are outstanding. (c) Restated to reflect an adjustment to the Company's historical accounting for CNA's investment in life settlement contracts and the related revenue recognition.

Quarter Ended December 31, 2002 compared with 2001

Consolidated net operating income for the 2002 fourth quarter, which excludes net investment gains and discontinued operations, was \$285.0 million, compared to a net operating loss of \$47.2 million in the fourth quarter of 2001.

Net income attributable to Loews Common Stock for the 2002 fourth quarter was \$253.3 million or \$1.37 per share, compared to \$191.0 million or \$0.99 per share in the comparable period of the prior year. Net income in the 2002 fourth quarter includes net investment gains attributable to Loews Common Stock of \$4.7 million, compared to \$235.5 million in the comparable period of the prior year.

Net operating income attributable to Loews Common Stock for the 2002 fourth quarter, which excludes net investment gains and discontinued operations, was \$248.6 million, compared to a net operating loss of \$47.2 million in the comparable period of the prior year.

Net income attributable to Carolina Group Stock for the 2002 fourth quarter was \$36.9 million or \$0.92 per Carolina Group share. The Company is issuing a separate press release reporting the actual and pro forma results of the Carolina Group for the quarter and year ended December 31, 2002 and 2001.

Year Ended December 31, 2002 compared with 2001

Net income for 2002 included a loss from discontinued operations at CNA of \$31.0 million or \$0.17 per share of Loews Common Stock, compared to income from discontinued operations of \$9.4 million or \$0.05 per share of Loews Common Stock in the comparable period of the prior year. Results for 2002 also included a charge for accounting changes of \$39.6 million or \$0.21 per share of Loews Common Stock, related to accounting for goodwill and other intangible assets, compared to a charge of \$53.3 million or \$0.27 per share of Loews Common Stock in the comparable period of the prior year, related to accounting for derivative instruments at CNA.

Consolidated net operating income for the year ended December 31, 2002, which excludes net investment gains (losses), discontinued operations and the effects of accounting changes, was \$1,099.3 million, compared to a loss of \$1,333.1 million in the comparable period of the prior year.

Net operating income attributable to Loews Common Stock for the year ended December 31, 2002, which excludes net investment (losses) gains, discontinued operations and the effects of accounting changes, was \$963.9 million, compared to a loss of \$1,333.1 million in the comparable period of the prior year.

Net income attributable to Carolina Group Stock for the year ended December 31, 2002 was \$140.7 million or \$3.50 per Carolina Group share.

CNA's Life Settlement Contract Accounting

As a result of a periodic review of CNA's disclosure filings by the Division of Corporation Finance of the Securities and Exchange Commission, the Company is restating its financial statements as of and for the years ended December 31, 2001 to 2000 as well as its interim financial statements for the first three quarters of 2002. The restated financial statements reflect an adjustment to the Company's historical accounting for CNA's investment in life settlement contracts and the related revenue recognition.

The SEC concluded that FASB Technical Bulletin 85-4 "Accounting for Purchases of Life Insurance" should have been applied to CNA's investment in life settlement contracts. Under FTB 85-4, the carrying value of CNA's investment in life settlement contracts is limited to the cash surrender or contract value of the underlying life insurance policy, and revenues related to life insurance death benefits are recognized on a cash basis. The Company's historical accounting was to record an asset for the full amount paid to acquire the life settlement contract along with other direct costs, and to recognize revenue over the period the contract is held.

The adjustment related to life settlement contracts reduced both net operating income and net income in the fourth quarter and the full year of 2002 by \$3.4 million and \$8.3 million. The comparable impact in the prior period increased both net operating income and net income by \$2.9 and \$2.0 million for the fourth quarter and the full year of 2001. This restatement has reduced the Company's shareholders' equity at December 31, 2002 by approximately \$228.3 million, which is expected to be recognized in operating income in the future as contracts mature.

At December 31, 2002, the book value per share of Loews Common Stock was \$61.68, compared to \$49.24 at December 31, 2001. The increase in book value per share of Loews Common Stock is primarily due to proceeds from the issuance of the Carolina Group Stock in February 2002 and the net economic interest attributable to the Loews Common Stock in the notional intergroup debt receivable from the Carolina Group.

At December 31, 2002, there were 185,441,200 shares of Loews Common Stock outstanding. During the year ended December 31, 2002, the Company purchased 6,065,600 shares of Loews Common Stock at an aggregate cost of \$343.5 million. During the year ended December 31, 2002, the Company purchased 2,717,876 shares of CNA common stock at an aggregate cost of \$73.1 million. The Company also purchased 340,000 shares of Carolina Group stock during the year ended December 31, 2002, for the account of the Carolina Group, at an aggregate cost of \$7.7 million. Depending on market conditions, the Company from time to time purchases shares of its, and its subsidiaries', outstanding common stock in the open market or otherwise. In addition, in December 2002 the Company purchased \$750.0 million of CNA series H cumulative preferred stock.

In February 2002 the Company created a second class of common stock, called Carolina Group Stock, a tracking stock intended to reflect the economic performance of a group of the Company's assets and liabilities, called the Carolina Group, principally consisting of the Company's subsidiary Lorillard, Inc., and in an initial public offering the Company issued shares of Carolina Group Stock representing a 23.17% interest in the economic performance of the Carolina Group. Loews Common Stock will continue to represent the economic performance of the Company's remaining assets, including the interest in the Carolina Group not represented by Carolina Group Stock. At December 31, 2002, the outstanding Carolina Group Stock represents a 23.01% economic interest in the economic performance of the Carolina Group.

A conference call to discuss the fourth quarter and full-year results of Loews Corporation and its Carolina Group has been scheduled for 11:00 a.m. EST, Thursday, February 13, 2003. The call can be accessed by dialing (877) 692-2592 or by visiting the Loews Corporation website (www.loews.com), where the Company will provide an online, real-time broadcast of this call. Please go to the website at least 10 minutes before the event begins to register and to download and install any necessary audio software. An online replay will be available at the Company's website for one week following the call.

A conference call to discuss the fourth quarter and full-year results of CNA has been scheduled for 10:00 a.m. EST, Thursday, February 13, 2003. The call can be accessed by dialing (800) 289-0493 or by visiting the CNA website (<http://investors.cna.com>), where CNA will provide an online, real-time broadcast of its call. Please go to the website at least 10 minutes before the event begins to register and to download and install any necessary audio software. An online replay will be available at CNA's website until the date of the next conference call or, until February 20, 2003, by dialing (888) 203-1112, passcode 671522.

Loews Corporation and Subsidiaries
Financial Review

| | December 31, | | | |
|--|--|-----------|-------------|------------|
| | Three Months | | Years Ended | |
| | 2002 | 2001 (g) | 2002 | 2001 (g) |
| | (Amounts in millions, except per share data) | | | |
| Revenues: | | | | |
| Insurance premiums and net investment income (a) | \$2,740.7 | \$3,554.4 | \$11,918.3 | \$12,779.3 |
| Manufactured products (b) | 886.3 | 958.6 | 3,963.5 | 4,011.9 |
| Other | 394.9 | 486.0 | 1,663.8 | 1,978.4 |
| Total | 4,021.9 | 4,999.0 | 17,545.6 | 18,769.6 |
| Expenses: | | | | |
| Insurance claims & policyholders' benefits | 1,849.6 | 2,513.9 | 8,392.0 | 11,279.8 |
| Cost of manufactured products sold (b) | 465.1 | 516.8 | 2,226.5 | 2,282.9 |
| Other (c) | 1,241.0 | 1,610.7 | 5,229.8 | 6,029.1 |
| Total | 3,555.7 | 4,641.4 | 15,848.3 | 19,591.8 |
| | 466.2 | 357.6 | 1,697.3 | (822.2) |
| Income tax expense (benefit) | 149.6 | 150.7 | 600.2 | (176.0) |
| Minority interest | 26.4 | 18.6 | 85.6 | (103.0) |
| Total | 176.0 | 169.3 | 685.8 | (279.0) |
| Income (loss) from continuing operations | 290.2 | 188.3 | 1,011.5 | (543.2) |
| Discontinued operations-net | | 2.7 | (31.0) | 9.4 |
| Cumulative effect of change in accounting principles-net (d) | | | (39.6) | (53.3) |
| Net income (loss) | \$290.2 | \$191.0 | \$940.9 | \$(587.1) |
| Net income (loss) attributable to: | | | | |
| Loews Common Stock: | | | | |

| | | | | |
|--|---------|---------|---------|-----------|
| Income (loss) from continuing operations | \$253.3 | \$188.3 | \$870.8 | \$(543.2) |
| Discontinued operations-net | | 2.7 | (31.0) | 9.4 |
| Cumulative effect of change in accounting principles-net (d) | | | (39.6) | (53.3) |

| | | | | |
|--------------------------|-------|-------|-------|---------|
| Loews Common Stock | 253.3 | 191.0 | 800.2 | (587.1) |
| Carolina Group Stock (e) | 36.9 | | 140.7 | |

\$290.2 \$191.0 \$940.9 \$(587.1)
=====

Income (loss) per Loews common stock (f):

| | | | | |
|---|--------|--------|--------|----------|
| Income (loss) from continuing operations | \$1.37 | \$0.98 | \$4.65 | \$(2.79) |
| Discontinued operations-net | | 0.01 | (0.17) | 0.05 |
| Cumulative effect of changes in accounting principles-net (d) | | | (0.21) | (0.27) |

Net income (loss) \$1.37 \$0.99 \$4.27 \$(3.01)
=====

Net income per Carolina Group common stock (f) \$0.92 \$3.50
=====

Weighted number of shares outstanding:

| | | | | |
|----------------------|--------|--------|--------|--------|
| Loews Common Stock | 185.44 | 191.49 | 187.59 | 195.33 |
| Carolina Group Stock | 39.91 | | 40.15 | |

- (a) Includes investment (losses) gains of \$(13.5), \$326.6, \$(158.5) and \$1,390.4 for the respective periods.
- (b) Includes excise taxes of \$149.6, \$141.7, \$667.6 and \$618.1 paid on sales of manufactured products for the respective periods.
- (c) Includes a \$200.0 charge related to an agreement with the Engle class for the year ended December 31, 2001.
- (d) Adoption of SFAS No. 142, accounting for goodwill and other intangible assets in 2002 and SFAS No. 133, accounting for derivative instruments and hedging activities in 2001, at the CNA subsidiary.
- (e) Represents 23.01% and 23.12% of the economic interest in the Carolina Group for the three month and eleven month period ended December 31, 2002 from the February 2002 initial public offering of Carolina Group Stock.
- (f) Earnings per common share-assuming dilution is not presented because securities that could potentially dilute basic earnings per common share in the future would have been insignificant or antidilutive for the periods presented.
- (g) Restated to reflect an adjustment to the Company's historical accounting for CNA's investment in life settlement contracts and the related revenue recognition.

Additional Financial Information

December 31,

| | Three Months | | Years Ended | |
|--|---------------|-----------|-------------|-------------|
| | 2002 | 2001(g) | 2002 | 2001(g) |
| | (In millions) | | | |
| Revenues: | | | | |
| CNA Financial | \$2,856.2 | \$3,358.7 | \$12,538.8 | \$11,826.6 |
| Lorillard (a) | 843.8 | 928.2 | 3,843.8 | 3,955.3 |
| Loews Hotels | 75.7 | 74.7 | 305.3 | 321.8 |
| Diamond Offshore | 189.9 | 243.6 | 783.9 | 981.1 |
| Investment income-net and other (b) | 69.8 | 67.2 | 232.3 | 294.4 |
| | 4,035.4 | 4,672.4 | 17,704.1 | 17,379.2 |
| Investment gains (losses): | | | | |
| CNA Financial | (64.6) | 323.9 | (202.0) | 1,262.0 |
| Corporate and other | 51.1 | 2.7 | 43.5 | 128.4 |
| | (13.5) | 326.6 | (158.5) | 1,390.4 |
| Total | \$4,021.9 | \$4,999.0 | \$17,545.6 | \$18,769.6 |
| Income (Loss) Before Taxes: | | | | |
| CNA Financial (c) | \$175.1 | \$(326.6) | \$607.6 | \$(3,560.4) |
| Lorillard (d) (e) | 246.7 | 323.1 | 1,038.5 | 1,104.3 |
| Loews Hotels | 1.2 | 6.4 | 20.6 | 29.8 |
| Diamond Offshore | 9.6 | 52.4 | 54.2 | 228.1 |
| Investment income-net and other (b) | (12.0) | (24.3) | (88.3) | (14.4) |
| | 420.6 | 31.0 | 1,632.6 | (2,212.6) |
| Investment gains (losses): | | | | |
| CNA Financial | (64.6) | 323.9 | (202.0) | 1,262.0 |
| Corporate and other | 50.3 | 2.7 | 35.3 | 128.4 |
| | (14.3) | 326.6 | (166.7) | 1,390.4 |
| Loews Common Stock | 406.3 | 357.6 | 1,465.9 | (822.2) |
| Carolina Group Stock (f) | 59.9 | | 231.4 | |
| Total | \$466.2 | \$357.6 | \$1,697.3 | \$(822.2) |
| Net Income (Loss): | | | | |
| CNA Financial (c) | \$102.2 | \$(252.4) | \$363.4 | \$(2,088.7) |
| Lorillard (d) (e) | 151.8 | 197.8 | 630.4 | 672.2 |
| Loews Hotels | 0.1 | 4.3 | 12.7 | 19.5 |
| Diamond Offshore | 0.9 | 15.8 | 14.1 | 71.0 |
| Investment income-net and other (b) | (6.4) | (12.7) | (56.7) | (7.1) |
| | 248.6 | (47.2) | 963.9 | (1,333.1) |
| Investment gains (losses): | | | | |
| CNA Financial | (27.2) | 236.1 | (104.1) | 714.8 |
| Corporate and other | 31.9 | (0.6) | 11.0 | 75.1 |

| | 4.7 | 235.5 | (93.1) | 789.9 |
|---|---------|---------|---------|-----------|
| Income (loss) from continuing operations | 253.3 | 188.3 | 870.8 | (543.2) |
| Discontinued operations-net | | 2.7 | (31.0) | 9.4 |
| Cumulative effect of changes in accounting principles-net | | | (39.6) | (53.3) |
| Loews Common Stock | 253.3 | 191.0 | 800.2 | (587.1) |
| Carolina Group Stock (f) | 36.9 | | 140.7 | |
| Total | \$290.2 | \$191.0 | \$940.9 | \$(587.1) |

- (a) Includes excise taxes of \$149.6, \$141.7, \$667.6 and \$618.1 paid on sales of manufactured products for the respective periods.
- (b) Consists primarily of corporate investment income, interest expenses, watch and clock operations and other unallocated expenses.
- (c) Includes charges of \$189.0, \$79.5 and \$76.0 (\$110.8, \$46.1 and \$61.2 after taxes and minority interest) for the three months and year ended December 31, 2001 related to restructuring and other related charges, Enron related losses, and reserve strengthening primarily for the current accident year, respectively, and \$467.7 and \$3,200.0 (\$264.6 and \$1,809.8 after taxes and minority interest) for the year ended December 31, 2001 related to the World Trade Center attack and a change in estimate of prior year net loss and allocated loss adjustment expense reserves and retrospective premium accruals, respectively.
- (d) Represents the Loews Group's intergroup interest in the earnings of the Carolina Group.
- (e) Includes a \$200.0 charge (\$121.0 after taxes) related to an agreement with the Engle class for the year ended December 31, 2001.
- (f) Represents 23.01% and 23.12% of the economic interest in the Carolina Group for the three month and eleven month period ended December 31, 2002 from the February 2002 initial public offering of Carolina Group Stock.
- (g) Restated to reflect an adjustment to the Company's historical accounting for CNA's investment in life settlement contracts and the related revenue recognition.

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