



2002 Annual Report

Unocal Corporation

Unocal at a Glance

Unocal is one of the world's leading independent natural gas and crude oil exploration and production companies, with principal operations in North America and Asia. A strong base

of sustaining assets is the foundation for near-term earnings. High-potential mid- and longer-term opportunities are keys to significant future success.

Sustaining Businesses (Oil and Gas Production)

North America

Gulf Region USA (Shelf and onshore)
Pure Resources (Texas, New Mexico)
Alaska
Canada

Asia

Thailand
Indonesia (Shelf)
Myanmar
Azerbaijan (Caspian Sea)
Bangladesh

Europe

Netherlands

Africa

Democratic Republic of the Congo

South America

Brazil

Major Oil & Gas Developments 2003-2005

West Seno — Indonesia Deep Water
Mad Dog — Gulf of Mexico Deep Water
AIOC Phase I — Caspian Sea, Azerbaijan

Exploration Focus 2003

Indonesia Deep Water
Gulf of Mexico Deep Water
Gulf of Mexico Deep Shelf

Longer-term natural gas development

Bangladesh
China
Indonesia
Thailand
Vietnam

Trade

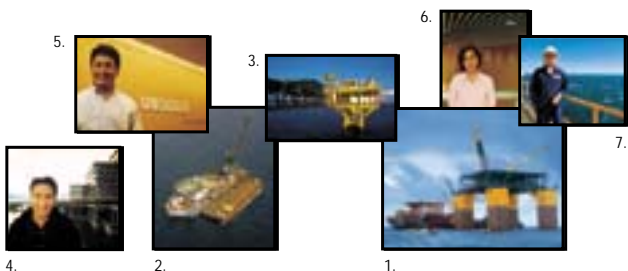
Responsible for marketing, risk management, and trading of a major portion of the company's hydrocarbon resources.

Midstream and Pipelines

Manages the company's growing base of natural gas storage assets, interests in more than 8,000 miles of oil, natural gas and product pipelines, and associated terminals.

Geothermal Resources/Power Projects

Produces geothermal resources for electricity generation, and operates steam and natural gas power plants in Southeast Asia.



ON THE COVER

Major projects under way:

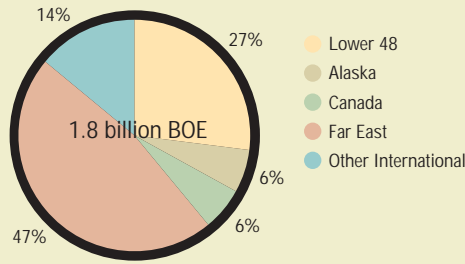
1. The West Seno deepwater tension-leg platform, shown during installation, is the first in Southeast Asia.
2. West Seno field development involves close coordination of many complex tasks, including positioning of "conductor piles" in the seabed to guide drilling.
3. This compact, complex facility processes Unocal's first crude oil production in the Gulf of Thailand.

Unocal employees around the world:

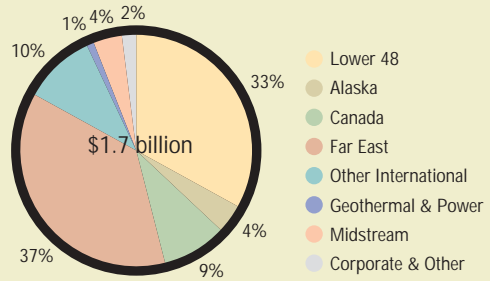
4. Komut Maneechai, Thailand Senior Geophysicist, currently based in Texas with the Brazil exploration group
5. Sena Reksalegora, Indonesia Advising Geologist, currently assigned to the deepwater Gulf of Mexico team
6. Ngo Duc Mai Kha, Vietnam Supervising Accountant
7. Jude Choate, USA Field Operator 1, Gulf of Mexico

Unocal at Year-end 2002

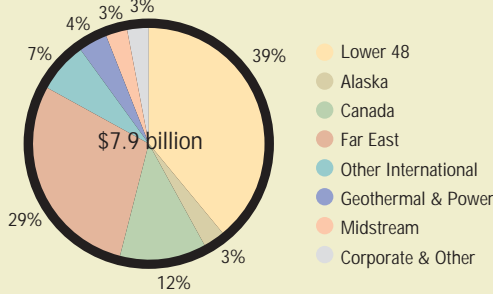
PROVED OIL AND GAS RESERVES



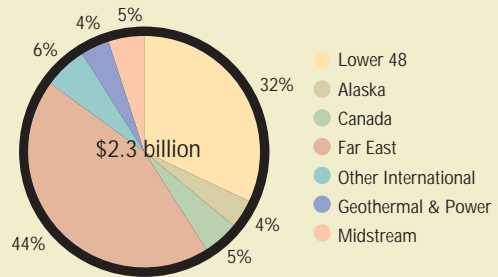
CAPITAL EXPENDITURES



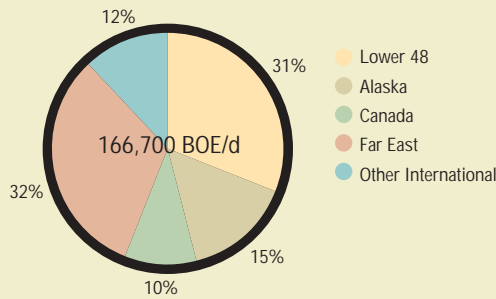
NET PROPERTIES



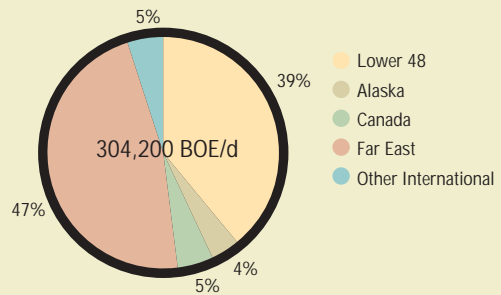
OPERATING CASH FLOW ^(a, b)



WORLDWIDE CRUDE OIL/LIQUIDS PRODUCTION



WORLDWIDE NATURAL GAS PRODUCTION



(a) Excludes corporate and other expenses, income taxes, interest and working capital changes

(b) Does not reflect significant uses of cash and should only be considered in conjunction with the full Statement of Consolidated Cash Flows on page 75, together with the discussion thereof in Management's Discussion and Analysis of Financial Condition and Results of Operations commencing on page 40, of Unocal's 2002 Annual Report on Form 10-K, which is bound into this document.

Highlights

	Years ended December 31,		
	2002	2001	2000
Financial (millions of dollars except per share amounts)			
Total revenues from continuing operations	\$ 5,297	\$ 6,796	\$ 9,217
Earnings from continuing operations	\$ 330	\$ 599	\$ 723
Earnings from discontinued operations (net of tax)	\$ 1	\$ \$17	\$ 37
Cumulative effect of accounting change (net of tax)	\$ —	\$ (1)	\$ —
Net earnings	\$ 331	\$ 615	\$ 760
Basic earnings per share of common stock:			
Continuing operations	\$ 1.34	\$ 2.45	\$ 2.98
Discontinued operations	\$ —	\$ 0.07	\$ 0.15
Net earnings	\$ 1.34	\$ 2.52	\$ 3.13
Diluted earnings per share of common stock:			
Continuing operations	\$ 1.34	\$ 2.43	\$ 2.93
Discontinued operations	\$ —	\$ 0.07	\$ 0.15
Net earnings	\$ 1.34	\$ 2.50	\$ 3.08
Return on average stockholders' equity:			
Continuing operations	10.3%	20.5%	29.5%
Net earnings	10.3%	21.1%	31.0%
Cash dividends declared per common share	\$ 0.80	\$ 0.80	\$ 0.80
Capital expenditures from continuing operations ^(a)	\$ 1,670	\$ 1,727	\$ 1,288
Total assets	\$ 10,760	\$ 10,425	\$ 10,010
Total debt and capital leases	\$ 3,008	\$ 2,906	\$ 2,506
Trust convertible preferred securities	\$ 522	\$ 522	\$ 522
Stockholders' equity	\$ 3,298	\$ 3,124	\$ 2,719
Per common share outstanding	\$ 12.78	\$ 12.80	\$ 11.19
Operations			
Net proved reserves			
Crude oil, condensate and natural gas liquids (million barrels) ^(b)	681	693	572
Natural gas — dry basis (billion cubic feet) ^(b)	6,559	6,749	6,039
Geothermal resources — (billion kilowatt-hours) ^(c)	155	108	114
— (equivalent million barrels) ^(c)	232	162	170
Net daily production			
Crude oil, condensate and natural gas liquids (thousand barrels) ^(b)	167	170	160
Natural gas — dry basis (million cubic feet) ^(b)	1,826	2,003	1,843
Geothermal resources (million kilowatt-hours)	13	14	16

(a) Excludes major acquisitions.

(b) Includes the company's proportional shares of equity investees and 100% of consolidated subsidiaries. See the Supplemental Information on Oil and Gas Exploration and Production Activities and the Operating Summary in Unocal's 2002 Form 10-K for further information.

(c) Includes reserves underlying a service fee arrangement in the Philippines.

Report to Unocal Stockholders

Unocal's international operations delivered strong performance in 2002. At the same time, we faced a major challenge in our Gulf of Mexico Shelf operations, where significant production declines resulted in a 6-percent decrease in Unocal's daily average worldwide production of oil and gas in 2002 versus 2001. We missed our projected increases in production, which, added to current economic and political uncertainty, was a key factor in disappointing returns to stockholders.

Large international projects that have recently come on stream and three more scheduled for startup in the next two years should strengthen our operations and help get Unocal back on track toward production growth.

In Thailand, the second phase of the Unocal-operated Pailin gas field started production on time and under budget in 2002, helping us provide natural gas to support current growth in demand for power. We also increased production from our first crude oil development in the Gulf of Thailand.

These two projects in Thailand are the leading edge of a period of new project startups for Unocal. Phase 1 of the deepwater West Seno oil and gas project in Indonesia is slated to begin production in mid-June 2003. Phase 2 startup will follow about two years later. By early 2005 projects in which Unocal holds significant interests are scheduled to come on stream in the Caspian Sea and in the deepwater Gulf of Mexico.

We are also nearing the conclusion of negotiations for a 20-percent participation in the Xihu Trough development offshore China. This project, which involves appraisal and development of discovered fields and additional exploration potential, will provide natural gas to supply energy for Shanghai and surrounding areas.

In addition, appraisal wells were drilled in 2002 to confirm the commercial potential of deepwater discoveries in Indonesia and the Gulf of Mexico, moving them closer to development and production.

Gulf of Mexico Shelf operations have been a major sustaining asset for Unocal for half a century. We have been quick to respond to declining production, launching our "Deep Shelf" program to explore deeper geologic settings for hydrocarbon resources. We are encouraged by two discoveries made late in 2002 and brought on production rapidly, taking advantage of existing infrastructure.

We remain committed to growing Unocal's worldwide oil and gas production over the next five years, and we have a range of projects around the world to help us do that. We are emphasizing investments in our inventory of larger, higher-potential-return projects, exercising capital discipline and



WEST SENO DRILLING

Development drilling got under way in Unocal's first deepwater oil field in March 2003 toward a projected mid-June start of production.

continuing to de-emphasize smaller-scale, lower-return development and exploitation activities.

Our earnings are benefiting from current high commodity prices. We took steps in 2002 to improve our cost structure in North America through significant restructurings of both the Gulf Region and the Alaska businesses. We are also continuing to strengthen our Northrock (Canada) and Pure Resources (Texas, New Mexico) operations — both wholly owned by Unocal — to help stabilize North American production in 2003 and beyond.

We have planned a very active exploration program in 2003, after relatively low activity in 2002. We will focus on three potential high-impact areas: Indonesia Deep Water and Gulf of Mexico Deep Water and Deep Shelf.

PLATONG CENTRAL OIL PROCESSING PLATFORM

Two decades after Unocal began producing natural gas in the Gulf of Thailand in 1981, it produced its first crude oil there. The crude is processed at a compact, efficient facility in the Platong field.



DEEP HORIZON EXPLORATION IN INDONESIA

In 2003, we expect to drill about 15 exploration and appraisal wells offshore East Kalimantan in Indonesia, including several wildcats. With a new rig under contract, Unocal will be able to drill several thousand feet deeper than previously possible to test for additional oil pay in reservoir sections that are under or adjacent to earlier discoveries. We believe these “deep horizon” areas have great potential.

Our drilling program includes wells in unexplored trends and in two new deepwater production-sharing contract areas. Appraisal drilling is planned for the Sadewa natural gas field discovered in 2002 and the Ranggalas oil and gas field discovered in 2001.

DEEP WATER, DEEP SHELF FOCUS IN GULF OF MEXICO

In the Gulf of Mexico Deep Water, we plan to complete three exploration wells in 2003. We are also in discussions with other companies about using Unocal’s proven drilling expertise to explore some of their attractive deepwater prospects in exchange for equity positions.

In response to the declines in Gulf of Mexico Shelf oil and gas production, which are industry-wide, Unocal has refocused its exploration on Deep Shelf projects, opening up new hydrocarbon potential at depths below most current producing reservoirs. “Deep Shelf” generally refers to depths of 15,000 feet or more below the seabed, beyond what was previously considered the “economic limit” for production on the Shelf. Unocal did extensive geological and geophysical analyses in 2002 to identify a large inventory of potential Deep Shelf drilling prospects.



WEST SENO TLP

The tension-leg platform (TLP) floats on the ocean's surface. It is anchored to the seabed 3,200 feet below by eight steel tendons which hold it in position while allowing for small movements with changing currents and tides.

While we are encouraged by two discoveries we brought on stream in late 2002, we have more work to do to have a reliable understanding of the Deep Shelf potential. We expect to drill or participate in between 12 and 18 wells in our Deep Shelf prospects during 2003. With every well we drill, we will continue to prioritize our drilling targets based on what we learn.

WEST SENO: FIRST DEEPWATER DEVELOPMENT

A major milestone toward our worldwide production growth in 2003 will be the startup of the West Seno oil and gas development in Indonesia, scheduled to be on stream in mid-June of 2003. West Seno is the first Unocal-operated project to be developed as a result of the deepwater initiatives the company launched in 1997. Unocal discovered the West Seno field in 1998. It lies in the Makassar Strait production-sharing contract area, in which Unocal holds a 90-percent working interest.

We expect West Seno production to ramp up to 35,000 to 40,000 barrels of oil per day (gross) by year-end 2003, with continued increases as drilling continues in 2004. A second phase of development, scheduled to come on stream in 2005, is expected to increase production to 60,000 barrels of oil per day (gross) and 150 million cubic feet of gas (gross). West Seno sales gas will help fulfill our contracts at the Bontang LNG (liquefied natural gas) facility in East Kalimantan — the world's largest LNG plant, serving expanding markets in Japan, Korea and Taiwan.

AIOC DEVELOPMENT MOVES FORWARD

Unocal has a 10.28-percent working interest in three Caspian Sea oil fields operated by the AIOC consortium (Azerbaijan International Operating Company). The "Early Oil" phase of AIOC development is currently averaging 130,000 barrels of oil per day (gross) from the Chirag field. The Baku-Tbilisi-Ceyhan Pipeline, targeted for completion in late 2004, will expand the market for AIOC production and has prompted increased development. The pipeline, with a capacity of 1 million barrels per day, will transport crude oil more than 1,000 miles (1,740 kilometers) from the Caspian Sea to a Mediterranean port. Unocal has an 8.9 percent interest in the pipeline.

The first phase of Azeri field development is on schedule to add 350,000 barrels per day (gross) production capacity in the first quarter of 2005. The second phase, scheduled for startup about a year later, is expected to ramp up AIOC production to 700,000 barrels per day (gross) in 2007. Peak AIOC production, including development of the deepwater Gunashli field (not yet sanctioned), is expected to exceed 1 million barrels per day (gross) in 2009.

MAD DOG STARTUP ON TRACK

Unocal has a 15.6-percent working interest in the Mad Dog discovery in the deepwater Gulf of Mexico. Startup is scheduled for late 2004 or early 2005, with production ramping up to more than 75,000 barrels of oil per day (gross) and 30 million cubic feet per day (gross) by 2007.

LNG FACILITY AT BONTANG, INDONESIA

Indonesia is the world's largest exporter of LNG (liquefied natural gas). Gas sales from West Seno will help fulfill Unocal's contracts with the world's largest LNG facility at Bontang in East Kalimantan (operated by PT Badak NGL).



PURE RESOURCES

Unocal gained full control of Pure Resources in 2002 and will continue to develop the strengths of this asset to help stabilize North American production.



THAILAND: PRODUCTION GROWTH IN 2003

We expect modest production growth in Thailand in 2003 as the country's demand for natural gas to produce electricity increases. Unocal operates 14 natural gas and oil fields in the Gulf of Thailand. This includes Unocal's first offshore oil production in Thailand, which Unocal began in 2001 and expanded in 2002.

We continue to manage and expand our operations in the Gulf of Thailand to fulfill our sales contracts and support the country's growing energy demand. In July 2002, we started up the second phase of the Pailin gas field, doubling gross production from the field to a contracted sales rate of 330 million cubic feet of gas per day. Condensate production more than doubled. Unocal holds a 35-percent working interest in Pailin.

RESERVE REPLACEMENT PERFORMANCE

Unocal reported a 3-percent decline in oil and gas reserves at year-end 2002 versus 2001. This was due largely to downward price-related revisions of 112 million barrels of oil equivalent (BOE) in certain international businesses where Unocal operates under production-sharing contracts with government-owned oil and gas companies. As a contractor, Unocal is reimbursed for its costs in equivalent barrels of oil. With a nearly 60-percent rise in the benchmark crude oil price from year-end 2001 to year-end 2002, fewer equivalent barrels were needed to cover costs. This resulted in a reduction in net entitlement reserves to Unocal. In the United States, primarily in onshore operations, price increases made marginal reserves producible, resulting in positive revisions at year-end 2002 of 28 million BOE.

Disregarding these price-related revisions (net negative 84 million BOE), the company replaced 123 percent of its 2002 production through discoveries and extensions, improved recovery, and performance-based revisions.

IMPROVING THE LIVES OF PEOPLE

In 2002, Unocal entered into long-term alliances with several leading humanitarian organizations that are dedicated to the principles articulated in Unocal's vision "to improve the lives of people wherever we work." These organizations, active in many of the same regions as Unocal, include Habitat for Humanity, The Nature Conservancy, the International Youth Fund, the Kenan Institute Asia, and the International Institute for the Rights of the Child. Through these and other alliances Unocal expects to improve the effectiveness of its corporate responsibility activities and help empower local communities in Indonesia, Thailand, Myanmar, Bangladesh and elsewhere. We are also proud to support the many Unocal employees around the world who are adding real value to their community schools and organizations.

GUNUNG SALAK SETTLEMENT

The devaluation of Indonesia's currency in the late 1990s necessitated a restructuring of Unocal's contract to provide steam and electricity from our geothermal operations at Gunung Salak on Java. We concluded an agreement in July 2002 that allows PLN (the state-owned power company) to continue receiving the power it needs to meet increasing demand on Java and Bali, while establishing long-term confidence and profitability for Unocal.

RFG PATENT UPDATE

Unocal received its original patent for reformulated gasoline (RFG) in 1994. The patent's validity has since been upheld by several courts in response to challenges from major refiners. These refiners have now directed their challenges to the Patent and Trademark Office and the Federal Trade Commission. Unocal, with a total of five RFG patents all based on original research, will continue to defend them vigorously. Our intent is to make them widely available while protecting Unocal's intellectual property and the interests of Unocal stockholders.

CREIGHTON TO VICE CHAIRMAN; MCCLEAN JOINS BOARD

In December 2002, the Unocal Board of Directors elected John W. Creighton, Jr., as vice chairman. A member of the board since 1995, he served as chairman for most of 2001. From October 2001 through September 2002, he served as interim chairman and CEO of UAL Corporation. Formerly, he was president and CEO of Weyerhaeuser Company.

Ferrell P. McClean, who has had a distinguished career in investment banking and energy, was elected to the board in December 2002. She is a retired managing director of Investment Banking and senior advisor to the Global Oil & Gas Group in Investment Banking at J.P. Morgan Chase.

LOOKING FORWARD

Unocal has an impressive inventory of projects slated for development and the start of production over the next few years. We have resumed an active exploration program with high-impact potential for our production and performance worldwide. For the longer term, we continue working to monetize extensive natural gas resources in Bangladesh, Indonesia, Thailand and Vietnam, that require market development or further negotiation and agreement before development.

The year 2002 was challenging on a number of fronts, and our employees worked hard to respond effectively. With one major new project due on stream this year and several more in the pipeline, we expect to strengthen our company and significantly improve returns to stockholders.

CHARLES R. WILLIAMSON
Chairman and Chief Executive Officer
March 20, 2003

Chuck Williamson (center)
Tim Ling, president and COO (left)
Terry Dallas, Executive VP & CFO (right)



Corporate Governance

Unocal's system of corporate governance emphasizes the Board of Director's independence and strengthens its ability to evaluate corporate and management performance. It includes the following key principles:

1. Eight of ten directors are non-management. All eight are independent.
2. The Board Governance Committee, composed of independent directors only, is charged with the responsibility of advising the board on all board governance matters, including recommending the composition, role, structure and procedures of the board; recommending the appointment, composition and responsibilities of the committees of the board; and identifying and presenting qualified candidates for election and re-election as directors.
3. The Audit Committee, the Corporate Responsibility Committee, and the Management Development and Compensation Committee also consist entirely of independent directors.
4. The Management Development and Compensation Committee annually evaluates the performance of the CEO and senior management.
5. The board reviews succession planning and management development at least annually.
6. Compensation for executive officers is linked to share price performance, operating objectives and other factors, including adherence to the company's code of conduct.
7. The board, as a matter of policy, does not authorize the re-pricing of stock options.
8. The schedule and length of board meetings allow sufficient time for in-depth discussions, analysis and strategic planning.
9. Independent directors meet privately on a regular basis. The Vice Chairman of the Board presides at such meetings.
10. The board meeting format is designed to encourage interaction between directors and the company's management.
11. The board and its committees have ready access to management and the right to hire their own legal or other outside advisors. The Compensation and Management Development Committee has the sole authority to hire and terminate compensation advisors for senior management compensation review. The Audit Committee has the sole authority to hire and terminate the outside auditors. The Board Governance Committee has the sole authority to hire and terminate search firms to identify director candidates and compensation advisors to advise on directors' compensation.
12. An orientation program is provided to each new director.
13. Directors' compensation is reviewed annually and includes cash and stock-based incentives.
14. Directors must retire from the board on the day of the Annual Meeting of Stockholders following their 72nd birthday.
15. The company ensures the confidentiality of stockholder votes.
16. The board reviews its performance periodically.
17. The board sets the corporate governance principles and reviews them at least annually.

Board of Directors

Charles R. Williamson, Director since 2000
Chairman and Chief Executive Officer,
Unocal Corporation

John W. Creighton, Jr., Director since 1995
Vice Chairman, Unocal Corporation,
Former President and Chief Executive Officer,
Weyerhaeuser Company (forest products)
Former Chairman and Chief Executive Officer,
UAL, Inc. (United Airlines)

John W. Amerman, Director since 1991
Former Chairman and Chief Executive Officer,
Mattel, Inc. (children's toys)

James W. Crownover, Director since 1998
Former Director, McKinsey & Company, Inc.
(management consulting)

Frank C. Herringer, Director since 1989
Chairman of Transamerica Corporation
(financial services)

Timothy H. Ling, Director since 2000
President and Chief Operating Officer,
Unocal Corporation

Ferrell P. McClean, Director since December 2002
Former Managing Director and Senior Advisor to
Global Oil & Gas Investment Banking,
J.P. Morgan Chase & Co.

Donald B. Rice, Director since 1998
Chairman, President,
Chief Executive Officer and Co-Founder,
Agensys, Inc. (biotechnology)

Kevin W. Sharer, Director since 1997
Chairman,
Chief Executive Officer and President,
Amgen, Inc. (biotechnology)

Marina v.N. Whitman, Director since 1993
Professor of Business Administration
and Public Policy, University of Michigan

Executive Officers

Charles R. Williamson, Chief Executive Officer

Timothy H. Ling, President and Chief Operating Officer

Terry G. Dallas, Executive Vice President and
Chief Financial Officer

Joe D. Cecil, Vice President and Comptroller

Douglas M. Miller, Vice President, Corporate Development

Charles O. Strathman, Vice President and Chief Legal Officer

STOCK AND TRANSFER AGENT

Please contact Mellon Investor Services for information about:

- the Dividend Reinvestment and Common Stock Purchase Plan
- direct deposit of dividends
- consolidation of multiple accounts
- lost certificates
- change of address
- other matters regarding your stock ownership

Mellon Investor Services LLC
85 Challenger Road
Ridgefield Park, NJ 07660
www.melloninvestor.com

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TDD for Hearing Impaired: (800) 231-5469
Foreign Stockholders: (201) 329-8660
TDD Foreign Stockholders: (201) 329-8354



Unocal's Common Stock is listed on the New York stock exchange.

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STOCKHOLDER SERVICES

To request printed copies of company reports, earnings news releases or other information, contact:

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El Segundo, California 90245
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E-mail: stockholder_services@unocal.com

COMPANY DESCRIPTION

Unocal Corporation is the parent of Union Oil Company of California. Virtually all operations are conducted by Union Oil Company of California, which does business as Unocal, and its subsidiaries. The name Unocal is used for Unocal Corporation and its subsidiaries in this report.

WWW.UNOCAL.COM

Unocal's web site provides frequently updated information about the company and its activities.

- Unocal news releases, including quarterly earnings results
- Unocal Annual Report
- Unocal Proxy Statement
- Quarterly Fact Book
- Webcasts and transcripts of quarterly earnings conference calls and investment community presentations
- Links to the company's SEC filings
- Profiles of company activities around the world
- Investor calendar
- E-mail subscription news service

NOTE RE PRODUCTION SHARING CONTRACTS

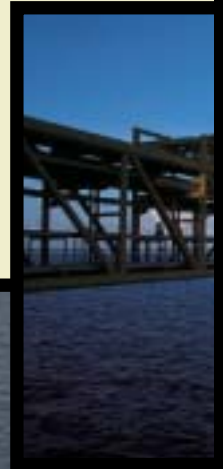
Under the terms of production sharing contracts in Indonesia, Bangladesh, Myanmar, Vietnam and Azerbaijan, Unocal subsidiaries, as contractors to the national oil companies, are entitled to varying shares of the oil and gas produced from commercial discoveries.

FORWARD-LOOKING STATEMENTS

Forward-looking statements and estimates of oil and gas production, reserves, discovery volumes, resource potential, exploration and development activities, and other future financial and operating results in this report are based on assumptions concerning operating, market, competitive, regulatory, environmental and other considerations. Actual results could differ materially, as a result of factors discussed on pages 56-64 of the 2002 Annual Report on Form 10-K, which is bound into this document.

CAUTIONARY NOTE TO U.S. INVESTORS

The U.S. Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. U.S. investors are urged to consider closely the disclosure in Unocal's 2002 Annual Report on Form 10-K, which is bound into this document.



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www.unocal.com

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