Annual Report 2002

North European Oil Royalty Trust

ATTENTION:

PLEASE RETAIN

CRITICAL TAX INFORMATION ENCLOSED

The Annual Meeting of Unit Owners will be held on Wednesday, February 12, 2003, at 1:30 P.M., in Rooms 3 and 4, Ninth Floor, at the University Club, 1 West 54th Street, New York City (northwest corner of 5th Avenue; entrance on 54th Street). All unit owners are cordially invited to attend.

If you plan to attend the meeting, please note that The University Club has a dress code. Gentlemen are required to wear a jacket and ladies are required to wear business attire. The University Club does not make exceptions.

Table of Contents

IMPORTANT TAX INFORMATION

For your convenience the information necessary to prepare your 2002 tax return is included in the removable "Note to Unit Owners" on Pages 21 and 22. Please note there will be no separate mailing of the tax letter.

Report to Unit Owners:

FOURTH QUARTER 2002

Net income for the Trust for the fourth quarter of fiscal 2002 was $3,406,930, a decrease of 35.9% from the fourth quarter of fiscal 2001. At this level of royalties the Trust was able to pay a distribution of 38 cents per unit. The combination of lower gas prices and reduced gas sales under both royalty rate agreements in effect within the Oldenburg concession resulted in the sizeable decline in royalties paid to the Trust. The higher average value for the Euro moderated the impact of lower gas prices and gas sales but only to a slight degree. Western Oldenburg gas prices under the Trust's 4% royalty agreement with Mobil Erdgas-Erdol GmbH ("Mobil Erdgas"), the German subsidiary of ExxonMobil Corp., averaged 1.3877 Euro cents per Kwh ("Ecents/Kwh"), a decrease of 17% from the average price for the fourth quarter of fiscal 2001 of 1.6723 Ecents/Kwh. For overall gas sales subject to the Trust's 0.6667% royalty agreement with Oldenburgische Erdolgesellschaft ("OEG"), gas prices averaged 1.2270 Ecents/Kwh. This average price represented a decrease of 23.1% from the average price for the fourth quarter of fiscal 2001 of 1.5950 Ecents/Kwh. The scheduling of maintenance work at the Grossenkneten desulfurization plant for the fourth quarter of fiscal 2002 as compared to the third quarter of fiscal 2001 resulted in a sharp contrast in production and sales levels for the quarter just ended. Gas sales from western Oldenburg covered under the higher royalty rate agreement decreased by 21.3% from 24.0 billion cubic feet ("Bcf") to 18.9 Bcf. Overall Oldenburg gas sales covered under the lower royalty rate agreement decreased by 25.7% from 50.5 Bcf to 37.5 Bcf. The average value of the Euro based on transfers during the quarter increased 7.3% from a dollar equivalent value of $0.9080 for the prior year's period to $0.9745 for the quarter just ended. Using the average exchange rate to convert German gas prices into more familiar terms yields prices of $3.86 and $3.36 per Mcf under the higher and lower royalty rate agreements respectively.

FISCAL 2002 REPORT

While the Trust is a passive entity and does not engage in any business operations, several circumstances that occurred within the United States during the past year made it the most eventful year in recent memory. Our fiscal year began with the request by the New York Stock Exchange to relinquish the trading symbol under which the Trust units had been traded since 1981. Following a series of discussions between the two parties, a new trading symbol "NRT" was assigned to the Trust effective at the opening of business on January 29, 2002. Shortly thereafter, the much publicized difficulties of the auditing firm Arthur Andersen LLP forced that firm to terminate its operations as a public auditor. Given the more than thirty year relationship between the Trust and Arthur Andersen, the sudden termination was extremely disruptive. An intensive search for an appropriate replacement was immediately undertaken. The Trustees and management sought to find an auditor whose reputation would reassure the unit owners and the investing public and whose experience would allow it to quickly assess the Trust's audit requirements and configure their audit to prevent any disruption in public disclosure reporting. The Trust is pleased to have as prestigious a firm as Ernst & Young LLP now serve as Trust auditor. The efficiency and thoroughness with which they conducted the third quarter review and the annual audit confirms the confidence placed in them. While the Trust itself conducts no business, as a public entity it is subject to the detailed additional requirements mandated under the Sarbanes-Oxley Act of 2002 and the resulting rules of the Securities and Exchange Commission and the New York Stock Exchange. There have been no substantive problems with the Trust's compliance to these additional reporting requirements but the detail and extent of them has been both time consuming and expensive for the Trust.

Gas sales from the higher royalty rate area of western Oldenburg for fiscal 2002 declined 11.1% from 98.47 Bcf in fiscal 2001 to 87.50 Bcf. Overall gas sales from the entire Oldenburg concession for fiscal 2002 declined 10.8% from 215.56 Bcf in fiscal 2001 to 192.35 Bcf. How much the decline in gas sales is linked to the general decline in economic activity in Germany cannot be determined but it is highly probable that there must have been some negative impact on gas sales as a result of the poor economic situation within Germany.

In a quarter by quarter comparison to fiscal 2001 gas prices under both the higher and lower royalty rate agreements declined in each quarter. For the fiscal year the average price for gas sold from the higher royalty rate area of western Oldenburg was 1.4394 Ecents/Kwh, a decline of 12.31% from the average yearly price for fiscal 2001 of 1.6415 Ecents/Kwh. For the fiscal year the average price for gas sold from the lower royalty rate agreement covering the entire Oldenburg concession was 1.3917 Ecents/Kwh, a decline of 16.48% from the average yearly price for fiscal 2001 of 1.6664 Ecents/Kwh.

Once again the value of the Euro was not a significant factor in the determination of Trust royalties during fiscal 2002. During the first six months the Euro traded within a fairly narrow range and averaged $0.8755 based on the royalty transfer rates during that period. During the second six months the Euro increased significantly in value and averaged $0.9708 based on the royalty transfer rates during that period. Despite the improvement in the value of the Euro, the average value for all of fiscal 2002 was only $0.9177, a 2.6% increase over the average value of $0.8945 for fiscal 2001.

Ralph E. Davis Associates, Inc., the Trust's petroleum consultants, have submitted their report on the Trust's estimated remaining net proved producing reserves as of October 1, 2002. The report indicates that net Trust gas reserves declined by 12.3%

from 50,714 million cubic feet (“MMcf”) to 44,483 MMcf on net sales for 2002 of 4,655 MMcf. Under ideal circumstances whatever gas was produced and sold in a given year would at least have been replaced through additional drilling and increases in attributable reserves. The difficulties experienced by the operating companies in their 2002 drilling program with the horizontal well Doetlingen Z-13a, the shorter production length eventually developed with this horizontal deviation and the postponement of additional drilling until 2003 resulted in a failure to replace the gas sold in fiscal 2002. This failure led to the reduction in the amount of proved producing reserves calculated by Ralph E. Davis Associates. The resumption of drilling in 2003 will hopefully result, once again, in the complete replacement of current production and sales that has been witnessed in prior years. (See graphs on Pages 19 and 20 which reflect the impact of Trust royalty rate percentages on the gross sales and estimated gross reserve figures.)

In comparison to fiscal 2001, fiscal 2002 was disappointing. The fall-off in gas prices and gas sales reduced the royalties paid to the Trust. The 2002 drilling program was limited to one marginally successful well which failed to replace current sales. The economic situation in Germany and Europe and overall throughout the world provided little in the way of optimism for the future. However, this disappointment should be tempered by the fact that the Trust’s distribution for fiscal 2002 of $1.89 was the second highest amount in the last 16 years, world oil prices despite their earlier decline have rebounded and a more active drilling program is planned under the auspices of the newly formed company ExxonMobil Production Deutschland GmbH (“EMPG”) which will carry out all exploration, drilling and production activities.

Finally, please note that the information necessary to prepare your tax return, including the 2002 cost depletion percentage of 9.4311%, is contained in the removable "Note to Unit Owners" on Pages 17 and 18 of this report.

Respectfully submitted,

December 30, 2002

John R. Van Kirk
Managing Director

North European Oil Royalty Trust
Selected Financial Data (Cash Basis)
For Years Ended October 31

	2002	2001	2000	1999	1998
German royalties					
received	$17,435,504	$22,453,630	$14,155,028	$10,667,478	$13,881,870
Interest income	60,961	137,305	96,460	70,026	101,973
Trust expenses	(610,689)	(684,111)	(	(596,081)	(
Net income on a			583,226)		586,830)
cash basis	$16,885,776	$21,906,824		$10,168,423	
			$13,668,262		$13,397,013
Net income per unit on a					
cash basis	$ 1.89	$ 2.47		$ 1.17	
Cash distributions			$ 1.54		$ 1.54
declared per unit	$ 1.89	$ 2.46		$ 1.17	
	$ 1.89	$ 2.46	$ 1.56	$ 1.17	$ 1.54
Units outstanding			$ 1.56		$ 1.54
end of period	8,931,414	8,886,804		8,696,646	
			8,886,804		8,696,460
Registered unit owners	1,393	1,441		1,700	
			1,546		1,771

Description of Trust Assets

The properties of the Trust, which the Trust and Trustees hold pursuant to the Trust Agreement on behalf of the unit owners, are overriding royalty rights on sales of gas, sulfur and oil under certain concessions or leases in the Federal Republic of Germany. The actual leases or concessions are held either by Mobil Erdgas-Erdol GmbH ("Mobil Erdgas"), a German operating subsidiary of the Exxon Mobil Corp., or by Oldenburgische Erdol Gesellschaft ("OEG"). The Oldenburg concession (1,398,000 acres), covering virtually the entire former State of Oldenburg and located in the Federal state of Lower Saxony, is the major source of royalty income for the Trust. Within this concession Mobil Erdgas and BEB Erdgas und Erdol GmbH ("BEB"), a joint venture of Exxon Mobil Corp. and the Royal Dutch Group, carry out all exploration, drilling, production and sales activities. As a result by direct and indirect ownership, Exxon Mobil Corp. owns two thirds of OEG and the Royal Dutch Group owns one third of OEG.

Under one series of rights covering the western part of the Oldenburg concession (approximately 662,000 acres), the Trust receives a royalty payment of 4% on gross receipts from sales by Mobil Erdgas of gas well gas, oil well gas, crude oil and condensate. Under the royalty agreement with Mobil Erdgas there is no deduction of costs prior to the calculation of royalties from gas well gas or oil well gas, which together account for approximately 99% of all the royalties under said agreement. The Trust also is entitled to receive from Mobil Erdgas a 2% royalty on gross receipts of sales of sulfur obtained as a by-product of sour gas produced from the western part of Oldenburg. The payment of the sulfur royalty is conditioned upon sales by Mobil Erdgas of sulfur at a selling price above an agreed upon base price. This base price is adjusted annually by an inflation index. When the average selling price falls below the adjusted base price, no royalties are payable. No payments were received under this sulfur royalty during fiscal 2001.

Under another series of rights covering the entire Oldenburg concession and pursuant to an agreement with OEG (the "OEG Agreement"), the Trust receives royalties at the rate of 0.6667% on gross receipts from sales of gas well gas, oil well gas, crude oil, condensate and sulfur (removed during the processing of sour gas) less 50% of an escalating cost base. This cost base is recomputed annually based on indices reflecting changes in certain prices within Germany. Under the agreement previously reached with OEG, the computation system will be changed in 2002, at which time 50% of the field handling, treatment and transportation costs as reported for state royalty purposes will be deducted from the gross sales receipts prior to the calculation of the royalty to be paid to the Trust. Based on the limited audit access available to it and the financial information provided by the operating companies the Trust’s management does not believe that this change will materially alter the amount of the Trust’s royalty receipts, but there can be no assurance that this will be the case until the calculations are actually applied.

The Trust also holds through Mobil Erdgas a 2% royalty interest in oil and gas sales from acreage in Bavaria, and a 0.2117% royalty under the net interest of the Bayerische Mineral Industries A.G. ("BMI"), a subsidiary of Mobil Erdgas, in concessions in Bavaria. The net interest of BMI ranges from 16-1/2 to 100% of the sales, depending on geographic region or area. Due to the absence of royalty income under this agreement, reserves from this area in Bavaria are not included in reserve calculations for this report year. While both Mobil Erdgas and BMI have suspended production in their concessions in Bavaria, the concessions remain open. Mobil Erdgas is exploring the possible sale of some fields within this concession for use as gas storage facilities. If a sale is concluded, the Trust would seek royalties on any recoverable gas remaining in place.

In addition to the areas of Oldenburg and Bavaria, the Trust also holds overriding royalties on 21 leases in other areas of northwest Germany ranging in size from 185 to 25,000 acres and totaling 73,214 acres. The rates of overriding royalties vary from 1.83% to 6.75%. At the present time all but one of these 21 leases are in the non-producing category. Due to the low level of income and the intermittent gas production from the single producing lease, reserves from this lease are not included in reserve calculations for this report year.

Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

The Trust is a passive fixed investment trust which holds overriding royalty rights, receives income under those rights from certain operating companies, pays its expenses and distributes the remaining net funds to its unit owners. The Trust is not involved in any business or extractive operations of any kind in the areas over which it holds royalty rights and is precluded from any such involvement by the Trust Agreement. There are no requirements, therefore, for capital resources with which to make capital expenditures or investments in order to continue the receipt of royalty revenues by the Trust.

The operating companies, subsidiaries of ExxonMobil Corp. and the Royal Dutch Group, pay monthly royalties to the Trust based on their sales of natural gas, sulfur and oil. The Oldenburg concession is the primary area from which these products are extracted and provides nearly 100% of all the royalties received by the Trust. Of these three products, natural gas provides approximately 98% of the total royalties. The gas is sold to various distributors under long term contracts which delineate, among other provisions, the timing, manner, volume and price of the gas sold. The pricing mechanisms contained in these contracts include a delay factor of three to six months and use the price of light heating oil in Germany as one of the primary pricing components. Since Germany must import a large percentage of its energy requirements, the U.S. dollar price of oil on the international market has a significant, although delayed, impact on the price of gas.

The Trust does not conduct any active business operations and has only limited need of funds for its own administrative services. These funds are used to pay Trustees' fees (computed under the Trust Agreement and based upon a percentage of royalties and interest income received), the remuneration fixed by the Trustees for the Managing Trustee and the Managing Director, expenses associated with the Trustees' meetings, professional fees paid to consultants, legal advisors and auditors, transfer agent fees, and secretarial and other general office expenses.

Another requirement for funds by the Trust relates to the occasional necessity of making lump sum payments of arrearages of dividends of a corporate predecessor and distributions previously declared by the Trust. The payment of such arrearages would require a reduction in the amount of distributions which otherwise would be made on presently outstanding units. For further information on this contingent liability and the impact of the Delaware Court order see Item 3 Legal Proceedings and Note 3 to Financial Statements contained herein.

The Trust has no means of ensuring continued income from overriding royalty rights at their present level or otherwise. Economic and political factors which are not foreseeable may have an impact on Trust income. The effect of changing economic conditions on the demand for energy throughout the world and future prices of oil and gas cannot be accurately projected.

The relatively small amounts required for administrative expenses of the Trust limit the possible effect of inflation on its financial prospects. Continued price inflation would be reflected in sales prices, which with sales volumes form the basis on which the royalties paid to the Trust are computed. In addition, fluctuations in the euro/dollar exchange rate have an impact on domestic energy prices within Germany and on the amount of dollars received by the Trust upon conversion. The impact of inflation or deflation on energy prices in Germany is delayed by the use in certain long-term gas sales contracts of a deferred "trailing average" related to light fuel oil prices.

Fiscal 2002 versus Fiscal 2001

For fiscal 2002 the Trust’s gross royalty income decreased 22.35% from $22,453,630 to 17,435,504. The decline in world oil prices that began in the latter half of fiscal 2001 continued into this fiscal year resulting in a fairly steady decline in gas prices from the high point experienced in the third quarter of fiscal 2001. The general economic slowdown in Europe contributed to the reduction in royalties paid to the Trust by reducing the demand for natural gas thus resulting in lower sales. After lingering in the range of $0.87 for the first half of fiscal 2002, the Euro staged a rally climbing to an average of over $0.97 for the second half of fiscal 2002.

Under the higher royalty rate agreement with Exxon Mobil the average gas price for each quarter of fiscal 2002 showed a decline when compared to the prior fiscal year's equivalent quarter. For the fiscal year gas sold under this agreement averaged 1.4394 Euro cents per kilowatt hour ("Ecents/Kwh") compared to the average sales price of 1.6415 Ecents/Kwh for fiscal 2001, a decline of 12.3%. Under the lower royalty rate agreement with BEB the average gas price for each quarter of fiscal 2002 showed a decline when compared to the prior fiscal year's equivalent quarter. For the fiscal year gas sold under this agreement averaged 1.3917 Ecents/Kwh compared to the average sales price of 1.6664 Ecents/Kwh for fiscal 2001, a decline of 16.5%. When we use the average exchange rates and convert prices measured in Ecents/Kwh into more familiar terms of dollars/Mcf, we see average gas prices under the higher and lower royalty rate agreements of $3.79/ Mcf and $3.54/Mcf, declines of 9.6% and 15.4%, respectively.

While the annual maintenance at the Grossenkneten desulfurization plant was conducted during a different quarter than the prior fiscal year, the scope and duration of the work was similar. This fact is significant in that the ratio in the sales of sour gas and sweet gas was similar to the prior fiscal year. Since the majority of gas sold from the higher royalty rate area of western Oldenburg is sour gas and must be processed through Grossenkneten, any change in the plant's production capacity can have significant consequences to the amount of royalties the Trust receives. In fiscal 2001 western gas sales accounted for 45.68% of overall Oldenburg gas sales. In fiscal 2002 western gas sales accounted for 45.49% of overall Oldenburg gas sales. For fiscal 2002 the decline in gas production and sales was fairly evenly divided between the western and eastern halves of the Oldenburg concession. Western gas sales declined 11.1% from 98.47 billion cubic feet ("BCF") in fiscal 2001 to 87.50 BCF in fiscal 2002. Eastern gas sales declined 10.77% from 215.56 BCF in fiscal 2001 to 192.35 BCF in fiscal 2002.

Interest income for 2002 was lower for both the fourth quarter and the fiscal year as a whole due to reduced funds available for investment and lower interest rates in effect. Trust expenses declined by 10.7% from $684,111 in fiscal 2001 to $610,689 in fiscal 2002. Trust expenses were reduced due to the reimbursement by the New York Stock Exchange for expenses associated with the Trust's symbol change from "NET" to "NRT" on January 29, 2002. However, the amount of the reduction was substantially offset by additional legal and audit expenses associated with the change in the Trust's auditors and additional requirements imposed by the Sarbanes-Oxley Act of 2002.

During both fiscal 2002 and 2001 no Trust units were issued and no dividends or distributions were paid to former unlocated shareholders of North European Oil Corporation and North European Oil Company who presented shares for exchange or filed properly documented affidavits of loss and obtained an unlimited, open penalty indemnity bond. Management believes that the number of such presentations will continue to be immaterial in the coming years. During fiscal 2002 an agreement was reached with the Administrator of Unclaimed Property, Office of the New York State Comptroller. Under the terms of that agreement the Trust issued 44,610 units to the State of New York and is paying current distributions on those units. After the year 2005, pursuant to the provisions of the order of the Delaware Court of Chancery of April 17, 1996, further liability for payment of dividends or distributions arrears will be eliminated. See Note 3 to the Financial Statements contained herein for further information.

Fiscal 2001 versus Fiscal 2000

For fiscal 2001 the Trust's gross royalty income increased 58.6% from $14,155,028 to $22,453,630. The lingering impact of higher world oil prices on German gas prices as well as reduced maintenance downtime at the Grossenkneten desulfurization plant, which resulted in higher gas sales from the higher royalty rate area of western Oldenburg, combined to produce the increase in royalties. The Euro continued to exhibit its weakness relative to the dollar. For each of the first three quarters the dollar value of the Euro was below that of the prior fiscal year and only in the final quarter did the value of the Euro increase over the prior fiscal year's quarter.

The high world oil prices that continued into the first half of fiscal 2001were reflected through the contractual delay mechanism in the high gas prices for gas sold from the Oldenburg concession throughout the fiscal year. For the first three quarters average Oldenburg gas prices under the lower royalty rate agreement posted quarter over quarter increases reaching a high point of 1.8718 Euro cents per kilowatt hour ("Ecents/Kwh") in the third quarter. The decline in oil prices was finally reflected in gas prices during the fourth quarter with average gas prices falling to 1.5950 Ecents/Kwh. For the fiscal year average gas prices posted a 63.9% increase to a value of 1.6643 Ecents/Kwh. Average gas prices under the higher royalty rate agreement followed a similar track rising to a high point of 1.7552 Ecents/Kwh in the third quarter before falling back to 1.6723 Ecents/Kwh in the fourth quarter. In average for the fiscal year gas prices increased 61.5% to 1.6415 Ecents/Kwh. When we use the average exchange rates and convert prices measured in Ecents/Kwh into more familiar terms of dollars/Mcf, we see average gas prices under the lower and higher royalty rate agreements of $4.18/Mcf and $4.19/Mcf, increases of 38.4% and 52.9%, respectively.

For fiscal 2001 overall Oldenburg gas sales showed a slight decline for the fiscal year falling 1.44% from 218.7 billion cubic feet ("BCF") to 215.6 BCF. This decline, which was concentrated in the lower royalty rate area of eastern Oldenburg, was more than offset by an increase in gas sales from the higher royalty rate area of western Oldenburg. Western Oldenburg gas sales increased 5.7% from 93.2 BCF to 98.5 BCF in total for the fiscal year. In contrast to the prior fiscal year when the Grossenkneten plant underwent a sizeable multi-year renovation and repair program which entailed an extended reduction in processing capacity, the impact of this year's scheduled maintenance was comparatively minor. Since the gas in western Oldenburg is predominantly sour gas (which must be processed to remove the hydrogen sulfide component) the reduced downtime at Grossenkneten permitted operations to resume more quickly resulting in increased gas sales.

With an effective royalty rate in western Oldenburg seven times greater than the royalty rate in eastern Oldenburg, changes in the percentage of sales originating from western Oldenburg can have significant effects on the level of Trust royalties. The percentage of western sales to total sales increased in fiscal 2001 from 42.60% to 45.7% reflecting the reduced downtime at the desulfurization plant.

Since reaching its current all time low, based on the transfer rate for the Trust's royalties, of a dollar equivalent value of $0.8626 during the Trust's third fiscal quarter, the Euro has maintained some stability. In average for the fiscal year, the Euro declined 5% from a dollar equivalent of $0.9417 for fiscal 2000 to $0.8945 for fiscal 2001.

Trust expenses increased by 17.3% from $583,226 to $684,111 reflecting higher Trustees' fees pursuant to the formula contained in the Trust Agreement and higher Trust expenses. Interest income increased 42.3% from $96,460 to $137,305 reflecting greater sums available for investment.

During fiscal 2001 and 2000 respectively, an additional 0 and 30 Trust units were issued and $0 and $1,043 were paid to former unlocated shareholders of North European Oil Corporation and North European Oil Company who presented shares for exchange or filed properly documented affidavits of loss and obtained an unlimited, open penalty indemnity bond. Management believes that the number of such presentations will continue to be immaterial in the coming years. After the year 2005, pursuant to the provisions of the order of the Delaware Court of Chancery of April 17, 1996, further liability for payment of dividends or distributions arrears will be eliminated. See Note 3 to the Financial Statements contained herein for further information.

This report on Form 10-K contains forward looking statements concerning business, financial performance and financial condition of the Trust. Many of these statements are based on information provided to the Trust by the operating companies or by consultants using public information sources. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in any forward looking statements. These include uncertainties concerning levels of gas production and gas sale prices, general economic conditions and currency exchange rates. Actual results and events may vary significantly from those discussed in the forward looking statements.

Distributions and Trading

The Trust's units of beneficial interest are traded on the New York Stock Exchange (the "NYSE") under the symbol NRT. Under the Trust Agreement the Trustees distribute to unit owners, on a quarterly basis, the net royalty income after deducting expenses and reserving limited funds for anticipated administrative expenses. The following table presents the high and low closing prices for the quarterly periods ended in fiscal 2002 and 2001 as reported by the NYSE as well as the cash distributions paid to unit owners by quarter for the past two fiscal years.

Fiscal Year 2002

Quarter Ended	Low Closing Price	High Closing Price	Distribution Per Unit
January 31, 2002	18.000	20.570	.51
April 30, 2002	19.030	23.250	.50
July 31, 2002	21.000	25.400	.50
October 31, 2002	21.600	24.590	.38

Fiscal Year 2001

Quarter Ended	Low Closing Price	High Closing Price	Distribution Per Unit
January 31, 2001	15.125	17.850	.71
April 30, 2001	17.000	20.900	.61
July 31, 2001	17.700	20.650	.54
October 31, 2001	16.250	19.450	.60

The quarterly distributions to unit owners represent their undivided interest in royalty payments from sales of gas, sulfur and oil during the previous quarter. Each unit owner is entitled to recover a portion of his or her investment in these royalty rights through a cost depletion percentage. The cost depletion percentage recommended by the Trust's independent petroleum and natural gas consultants for calendar 2002 is 9.4311%. Specific details relative to the Trust's income and expenses and cost depletion percentage as they apply to the calculation of taxable income for the 2002 calendar year are included on a special removable "Note to Unit Owners" on pages 21 and 22.

The Trust maintains no reserve to cover any payments which might be required if the holders of shares of stock of the predecessor Corporation or Company, who have not yet exchanged those shares for units, should surrender them for exchange. See Note 3 to the Financial Statements.

The number of holders of record as of November 30, 2002, there were 1,393. The calculation of the number of record holders does not include the owners of shares of stock in either of the Trust's corporate predecessors which have not been exchanged for units in the Trust (a total of 604 record holders).

REPORT OF INDEPENDENT PUBLIC AUDITORS

To the Board of Trustees and Unit Owners of North European Oil Royalty Trust

We have audited the accompanying statement of assets, liabilities and trust corpus arising from cash transactions of North European Oil Royalty Trust as of October 31, 2002, and the related statements of revenue collected and expenses paid, undistributed earnings and changes in cash and cash equivalents for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. The statement of assets, liabilities and trust corpus arising from cash transactions of the Trust as of October 31, 2001, and the related statements of revenue collected and expenses paid, undistributed earnings and changes in cash and cash equivalents for each of the two years in the period then ended were audited by other auditors who have ceased operations, whose opinion, dated November 8, 2001 (except with respect to Note 4, as to which the date was December 4, 2001) expressed an unqualified opinion thereon.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and trust corpus arising from cash transactions of North European Oil Royalty Trust at October 31, 2002, its revenue collected and expenses paid, its undistributed earnings and changes in its cash and cash equivalents for the year then ended, on the basis of accounting described in Note 1.

Ernst & Young LLP

New York, New York
December 10, 2002

STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS (NOTE 1)
OCTOBER 31, 2002 AND 2001

ASSETS	2002	2001
Current assets — Cash and cash equivalents (Note 1)	$ 3,458,577	$ 5,391,320
Producing gas and oil royalty rights (Note 1)	1	1
	$ 3,458,578	$ 5,391,321

LIABILITIES AND TRUST CORPUS	2002	2001
Current liabilities - -		
Cash distributions payable to unit owners, paid November 2002 and 2001	$ 3,393,937	$ 5,332,083
Contingent liability (Note 3)		
Trust corpus (Notes 1 and 2)	1	1
Undistributed earnings (Note 1)	64,640	59,237
	$ 3,458,578	$ 5,391,321

The accompanying notes to financial statements are an integral part of these statements.

STATEMENTS OF REVENUE COLLECTED AND EXPENSES PAID (NOTE 1)
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2002, 2001 AND 2000

	2002	2001	2000
German gas, sulfur and oil royalties received	$ 17,435,504	$ 22,453,630	$ 14,155,028
Interest income	60,961	137,305	96,460
Trust expenses	(610,689)	(684,111)	(583,226)
Net income on a cash basis	$ 16,885,776	$ 21,906,824	$ 13,668,262
Net income per unit on a cash basis	$ 1.89	$ 2.47	$ 1.54
Cash distributions paid or to be paid:			
Distributions per unit paid or to be paid to unit owners (Note 4)	$ 1.89	$ 2.46	$ 1.56
	$ 1.89	$ 2.46	$ 1.56

The accompanying notes to financial statements
are an integral part of these statements.

STATEMENTS OF UNDISTRIBUTED EARNINGS (NOTE 1)
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2002, 2001 AND 2000

	2002	2001	2000
Balance, beginning of year	$ 59,237	$ 13,951	$ 58,044
Net income on a cash basis	16,885,776	21,906,824	13,668,262
	16,945,013	21,920,775	13,726,306
Less:			
Dividends and distributions paid to former unlocated shareholders (Note 3)	0	0	1,043
Current year distributions paid or to be paid to unit owners (Note 4)	16,880,373	21,861,538	13,711,312
	16,880,373	21,861,538	13,712,355
Balance, end of year	$ 64,640	$ 59,237	$ 13,951

The accompanying notes to financial statements
are an integral part of these statements.

STATEMENTS OF CHANGES IN CASH AND CASH EQUIVALENTS (NOTE 1)
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2002, 2001 AND 2000

	2002	2001	2000
Sources of cash and cash equivalents:			
German gas, sulfur and oil royalties received	$ 17,435,504	$ 22,453,630	$ 14,155,028
Interest income	60,961	137,305	96,460
	17,496,465	22,590,935	14,251,488
Uses of cash and cash equivalents:			
Payment of Trust expenses	610,689	684,111	583,226
Distributions and dividends paid (Note 3)	18,818,519	19,462,100	13,040,838
	19,429,208	20,146,211	13,624,064
Net increase (decrease) in cash and cash equivalents during the year	(1,932,743)	2,444,724	627,424
Cash and cash equivalents, beginning of year	5,391,320	2,946,596	2,319,172
Cash and cash equivalents, end of year	$ 3,458,577	$ 5,391,320	$ 2,946,596

The accompanying notes to financial statements
are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2002, 2001 AND 2000

(1) Summary of significant accounting policies:

Basis of accounting -

The accompanying financial statements present financial statement balances and financial results on a cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States ("GAAP basis"). Cash basis financial statements disclose income when cash is received and expenses when cash is paid. GAAP basis financial statements disclose income as earned and expenses as incurred, without regard to receipts or payments. The sole exception to the use of the cash basis of accounting is the accrual for distributions to be paid to unit owners (those distributions approved by the Trustees for the Trust). The Trust's distributable income represents royalty income received by the Trust during the period plus interest income less any expenses incurred by the Trust, all on a cash basis. In the opinion of the Trustees, the use of the cash basis provides a more meaningful presentation to unit owners of the results of operations of the Trust.

Producing gas and oil royalty rights -

The rights to certain gas and oil royalties in Germany were transferred to the Trust at their net book value by North European Oil Company (the "Company") (see Note 2). The net book value of the royalty rights has been reduced to one dollar ($1) in view of the fact that the remaining net book value of royalty rights is *de minimis* relative to annual royalties received and distributed by the Trust and does not bear any meaningful relationship to the fair value of such rights or the actual amount of proved producing reserves.

Federal and state income taxes -

The Trust, as a grantor trust, is exempt from federal and state income taxes under a private letter ruling issued by the Internal Revenue Service.

Cash and cash equivalents -

Included in cash and cash equivalents are amounts deposited in bank accounts and amounts invested in certificates of deposit and U. S. Treasury bills with maturities of three months or less from the date of purchase.

Net income per unit on the cash basis -

Net income per unit on the cash basis is based upon the number of units outstanding at the end of the period (see Note 3). As of October 31, 2002, 2001 and 2000, there were 8,931,414, 8,886,804 and 8,886,804 units of beneficial interest outstanding, respectively.

(2) Formation of the Trust:

The Trust was formed on September 10, 1975. As of September 30, 1975, the Company was liquidated and the remaining assets and liabilities of the Company, including its royalty rights, were transferred to the Trust. The Trust, on behalf of the owners of beneficial interest in the Trust, holds overriding royalty rights covering gas and oil production in certain concessions or leases in the Federal Republic of Germany. These rights are held under contracts with local German exploration and development subsidiaries of ExxonMobil Corp. and the Royal Dutch Group. Under these contracts the Trust receives various percentage royalties on the proceeds of the sales of certain products from the areas involved. At the present time, royalties are received for sales of gas well gas, oil well gas, crude oil, distillate and sulfur.

(3) Contingent liability:

The Trust serves as fiduciary for certain unlocated or unknown shareholders of the Trust's corporate predecessors, North European Oil Corporation (the "Corporation") and North European Oil Company. From the liquidation of the Company to October 31, 2001, 721,364 Trust units were issued in exchange for Corporate or Company shares and dividends of $354,101 and distributions of $4,236,544 were paid to former unlocated Corporation and Company shareholders. For the year ended October 31, 2002, there were no units issued in exchanges and no dividends and no distributions were paid to former unlocated Corporation and Company shareholders.

On February 26, 1996 the settlement of litigation between the Trust and the Delaware State Escheator was approved by the Delaware Court of Chancery. As of that date, there were a total of 875,748 authorized but unissued units representing the unexchanged shares of the Trust's corporate predecessors. Out of this total, 760,560 units were subject to the settlement. Under the settlement, 380,280 units were issued to the Delaware Escheator on April 17, 1996. Of the Trust units remaining to be issued to the Delaware Escheator, approximately 50% (190,128 units) had been issued to the Delaware Escheator as of June 30, 2000 and the remaining balance will be issued by June 30, 2005. Through June 30, 2000, claims by unlocated or unknown shareholders of the Trust's corporate predecessors for units and past dividends and distributions thereon ("subsequent claims") were paid by the Delaware Escheator and the Trust on a 50:50 basis. From July 1, 2000 to June 30, 2005 subsequent claims will be paid by the Delaware Escheator and the Trust on a 75:25 basis. Any subsequent claims will reduce the number of units to be issued to the Delaware Escheator in 2005. Following the final issuance of units to the Delaware Escheator in 2005, the Trust's contingent liability for past dividends and distributions attributable to all unexchanged Corporation and Company shares subject to the settlement will be completely eliminated. Under the terms of the settlement, the maximum liability of the Delaware Escheator for subsequent claims is limited to the value of the units received, plus current distributions on units retained, less the Delaware Escheator's share of subsequent claims. As of the receipt of the November 2002 distribution, the maximum liability of the Delaware Escheator will be $12,617,183.

In addition to the agreement reached with the Delaware Escheator, on December 4, 2001 the Trust reached a parallel agreement with the Administrator of Unclaimed Property, Office of the New York State Comptroller (the "New York Administrator") covering units for which owners were unlocated but for whom New York state addresses were shown in predecessor corporation records. The New York Settlement Agreement ("Settlement Agreement") covers 89,220 units attributable to stock ownership by unlocated shareholders of predecessor corporate entities. Of the units covered by the Settlement Agreement, 44,610 were issued to the New York Administrator on December 21, 2001 and the balance of 44,610 will be issued on or before June 30, 2005. The Settlement Agreement provides for processing of claims in the period until June 30, 2005 and the sharing on a 50:50 basis of any costs relating to any claims which are allowed. Any subsequent claims will reduce the number of units to be issued to the New York Administrator in 2005. Following the final issuance of units to the New York Administrator in 2005, the Trust's contingent liability for past dividends and distributions attributable to all unexchanged Corporation and Company shares subject to the Settlement Agreement will be completely eliminated. Under the terms of the Settlement Agreement, the maximum liability of the New York Administrator for subsequent claims is limited to the value of the units received, plus current distributions on units retained, less the New York Administrator's share of subsequent claims. As of the receipt of the November, 2002 distribution, the maximum liability of the New York Administrator will be $922,535.

Under the Trust Agreement as deemed amended by the February 26, 1996 Delaware Court Order, the Trust is not required to make payments of arrearages of Company dividends or Trust distributions with respect to units issued or to be issued to the Delaware Escheator or the New York Administrator. As of October 31, 2002, there remained a total of 259,176 units that could be issued to unlocated or unknown Corporation and Company shareholders. Of this total, 234,732 units are subject to the settlements and remain to be issued to the Delaware Escheator or the New York Administrator. If all shares represented by the units already issued as well as the units remaining to be issued were presented for exchange, $487,023 in dividends and $30,379,552 in distributions would be payable. In the opinion of the Trustees, based in part on the history of exchanges during the last ten fiscal years, the maximum liability of the Delaware Escheator and the New York Administrator would not be less than their respective share of any subsequent claims. In any event, the Trust's contingent liability for all claims for arrearages will be eliminated in 2005.

(4) Quarterly results (unaudited):

The table below summarizes the quarterly results and distributions of the Trust for the fiscal years ended October 31, 2002 and 2001.

Fiscal 2002 by Quarter and Year

	First	Second	Third	Fourth	Year
Royalties received	$ 4,765,084	$ 4,504,767	$ 4,580,463	$ 3,585,190	$17,435,504
Net income on a cash basis	4,542,845	4,492,298	4,443,703	3,406,930	16,885,776
Net income per unit on a cash basis	.51	.50	.50	.38	1.89
Current year cash distributions paid or to be paid	4,555,021	4,465,707	4,465,707	3,393,937	16,880,372
Current year cash distributions per unit	.51	.50	.50	.38	1.89

Fiscal 2001 by Quarter and Year

	First	Second	Third	Fourth	Year
Royalties received	$ 6,441,960	$ 5,574,374	$ 4,983,996	$ 5,453,300	$22,453,630
Net income on a cash basis	6,322,861	5,395,154	4,870,571	5,318,238	21,906,824
Net income per unit on a cash basis	.71	.61	.55	.60	2.47
Current year cash distributions paid or to be paid	6,309,631	5,420,950	4,798,874	5,332,083	21,861,538
Current year cash distributions per unit	.71	.61	.54	.60	2.46

North European Oil Royalty Trust
P.O. Box 456
Red Bank, New Jersey 07701
(732) 741-4008

IMPORTANT

RETAIN THIS LETTER FOR PREPARATION OF YOUR 2002 INCOME TAX RETURNS

THE TRUST DOES NOT FILE NOR FURNISH TO OWNERS FORM 1099

January 10, 2003

To the Present and Former Unit Owners of
North European Oil Royalty Trust:

This letter sets forth the information you will require for preparation of your personal income tax return in connection with ownership of units of beneficial interest in North European Oil Royalty Trust (the "Trust") during 2002.

For federal income tax reporting purposes, each owner of units in the Trust is considered to be a grantor or substitute grantor as well as a beneficiary of the Trust. As such, you are deemed to have received your pro rata share of overriding royalties when paid to the Trust and are permitted to deduct your share of Trust expenses. Consequently, your net taxable income may not correspond exactly to the cash distributions received. **TRUST DISTRIBUTIONS SHOULD NOT BE INCLUDED ON INCOME TAX RETURNS AS "DIVIDEND INCOME" AND ARE NOT ELIGIBLE FOR THE DIVIDENDS RECEIVED DEDUCTION FOR CORPORATIONS.**

The Internal Revenue Service has ruled that the overriding royalty rights held by the Trust represent economic interest in oil and gas deposits. Consequently, income realized from such interests is taxable to each unit owner as ordinary income subject to cost depletion. Each unit owner's basis for computing cost depletion is the adjusted cost basis for their units. This adjusted cost basis is to be reduced annually by the depletion previously allowed. Based upon computations of proved producing reserves estimated in accordance with accepted engineering analytical principles, Ralph E. Davis Associates, Inc. of Houston, Texas has recommended that the percentage to be applied to the cost basis to determine deductions for **the cost depletion for the year 2002 is 9.4311%**. The suggested percentage for cost depletion deduction will be adjusted annually in accordance with reported production results and revised reserve estimates. Since the above percentage covers the entire year 2002, if you owned units for only a portion of the year, you are required to prorate the percentage depletion in the ratio that the cumulative Income per Unit shown on the following schedule for the period of your ownership bears to the Total Income per Unit for the entire year.

If you owned units for the period January 1, 2002 through December 31, 2002, you will be considered to have received and expended, on the cash basis, the respective totals for each unit shown in the following schedule. On the other hand, if you owned units for only a portion of that period, then the schedule shows the amounts of income and deductible expenses reportable by you for each unit owned for the respective months. For your information, income is received between the 24th and the end of each month.

		Income Per Unit	Expenses Per Unit
January	2002	$ 0.1664	$ 0.0083
February		0.1685	-0.0081
March		0.1556	0.0063
April		0.1804	0.0032
May		0.1723	0.0075
June		0.1970	0.0044
July		0.1436	0.0034
August		0.1403	0.0070
September		0.1478	0.0050
October		0.1133	0.0080
November		0.1592	0.0092
December		0.1675	0.0075
TOTAL	**2002**	$ 1.9119	$ 0.0617

Income and expenses should be reported on Federal Income Tax Form 1040, Schedule E. Under Part I, Income or Loss from Rental Real Estate and Royalties, line 1 enter property description as "oil and gas overriding royalty rights, Germany through North European Oil Royalty Trust." Your income and expenses are calculated by multiplying the above Per Unit figures by the number of units you owned. Your income should be entered on line 4. Expenses should be entered on line 18 as "miscellaneous Trust expenses." Your cost depletion deduction should be entered on line 20. This figure is derived by multiplying the total adjusted cost of all your units by .094311. Your adjusted cost is your original cost minus depletion deducted in prior years. Your net reportable income or loss should be entered on lines 22 and 26 in Part I and on line 40 in Part V and is determined by subtracting the amounts entered on lines 18 and 20 from the amount on line 4. All of the above entries should be adjusted for the period of time you owned your units, if you did not own them throughout 2002.

The royalty income received by the Trust represents income from Germany. Although there are no German taxes imposed on this income, this information should be considered if you have available foreign tax credits from other sources.

The Trust will submit this letter and the listing of unit owners during 2002 to the Internal Revenue Service. This list will contain names, addresses and tax ID or Social Security Numbers; we suggest that you attach this letter to your tax returns.

Most sincerely yours,

John R. Van Kirk
Managing Director

North European Oil Royalty Trust PO Box 456, Red Bank, NJ 07701

NORTH EUROPEAN OIL ROYALTY TRUST

A copy of the Trust's Form 10-K Annual Report for fiscal 2002 as filed with the Securities and Exchange Commission will be sent to any owner upon written request to John R. Van Kirk, Managing Director, P.O. Box 456, Red Bank, New Jersey 07701.