Annual Report 2003

North European Oil Royalty Trust

ATTENTION:
PLEASE RETAIN
CRITICAL TAX INFORMATION ENCLOSED

The Annual Meeting of Unit Owners will be held on Wednesday, February 11, 2004, 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.

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IMPORTANT TAX INFORMATION

For your convenience the information necessary to prepare your 2003 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.

NORTH EUROPEAN OIL ROYALTY TRUST

Report to Unit Owners:

FOURTH QUARTER 2003

Net income for the Trust for the fourth quarter of fiscal 2003 was $3,997,312, an increase of 17.3% from the fourth quarter of fiscal 2002. At this level of royalties the Trust was able to pay a distribution of 45 cents per unit, seven cents higher than the distribution for the fourth quarter of fiscal 2002. Other than the impact of the strong Euro, the impact of the other factors affecting royalty income was mixed. Under the lower royalty rate agreement with Oldenburgische Erdolgesellschaft (“OEG”) covering the entire Oldenburg concession, overall gas sales for the quarter increased by 6.3% to 39.88 billion cubic feet ("Bcf") while gas prices declined by 3.3% to 1.1863 Euro cents per kilowatt hour ("Ecents/Kwh"). Under the higher royalty rate agreement with Mobil Erdgas-Erdol GmbH ("Mobil Erdgas") the German subsidiary of ExxonMobil Corp. covering western Oldenburg, gas sales declined by 7.8% to 17.43 Bcf while gas prices rose 6.0% to 1.4713 Ecents/Kwh. Based upon transfers during the quarter, the Euro had an average dollar equivalent value of $1.1239, 15.3% higher than the dollar equivalent value of $0.9745 for the fourth quarter of fiscal 2002. Using the individual exchange rates to convert German gas prices into familiar terms yields average prices of $4.74 and $3.72 per Mcf under the higher and lower royalty rate agreements respectively.

FISCAL 2003 REPORT

Fiscal 2003 was an acceptable year for the Trust with total per unit distribution increasing slightly from $1.89 to $1.95 per unit. For the second year in a row however we saw declines in gas sales and average yearly gas prices for gas sold under both the higher and lower royalty rate agreements in effect in the Oldenburg. The impact of these declines was offset by the strengthening of the Euro through most of the year.

Gas sales from the higher royalty rate area of western Oldenburg for fiscal 2003 declined 13.7% from 87.50 Bcf in fiscal 2002 to 75.50 Bcf. This decline was on top of a decline of 11.1% from 98.5 Bcf in fiscal 2001. Overall gas sales from the entire Oldenburg concession for fiscal 2003 declined 1.5% from 192.35 Bcf in fiscal 2002 to 189.46 Bcf. This decline was on top of a decline of 10.8% from 215.56 Bcf in fiscal 2001. The average yearly price for gas sold under the higher royalty rate agreement declined 1.5% from 1.4394 Ecents/Kwh in fiscal 2002 to 1.4180 Ecents/Kwh. This decline was on top of a 12.3% decline from 1.6415 Ecents/Kwh in 2001. The average yearly price for gas sold under the lower royalty rate agreement declined 6.4% from 1.3917 Ecents/Kwh in fiscal 2002 to 1.3033 Ecents/Kwh. This decline was on top of a 16.5% decline from 1.6664 Ecents/Kwh in 2001.

This year the increase in the value of the Euro was the primary positive factor in the determination of the level of dollar royalties received by the Trust. The Euro posted increases in value over the dollar for each quarter in fiscal 2003 as compared to 2002. In average for the year the Euro increased 19.5% from a dollar equivalent of $0.9177 to $1.0971. This increase was sufficient to offset both the decline in gas sales and gas prices and increase the distribution to unit owners by 7 cents per unit for the year.

NORTH EUROPEAN OIL ROYALTY TRUST

Report to Unit Owners: ***(continued)***

The Trust's new German consultant met with the Trustees at their regular October meeting. One of the first tasks assigned to him was to attempt to obtain an explanation from the operating companies for the decline in gas sales. The summary of his meeting with representatives from the operating companies provides substantial reassurance that the recent decline in gas sales is being addressed in both the short and long term. The reason behind the decline in gas sales is two-fold. As wells age, problems with productivity and failures in the subsurface installations occur. To address these problems, the operating companies performed a number of "workovers" during 2003 to re-stimulate the wells with acidizing treatments or to re-install new tubings and other downhole equipment. Each of these workovers resulted in the shutdown of the well for a minimum of 3-4 weeks and sometimes longer. These "workovers" will continue. The continuation of declines in the reservoir pressures resulted in decreased wellhead flowing pressures and reduced flow rates. Gas is extracted from the ground under pressure and when this pressure is higher than the pressure in the pipeline, the gas flows directly into the pipeline for transport. Over time as more gas is extracted, the residual pressure drops and the flow of gas into the pipeline is reduced. The operating companies had previously commenced a construction program to install two compressor units to increase the pressure of the extracted gas to a level where it can flow at a higher rate into the pipeline. It is expected that operational testing of these units will begin in July 2004 with full operations by the following October. While these "workovers" and compressor installations have the ability to increase gas sales in the short term, the gas that will be sold is not new previously undiscovered gas. To increase the amount of proved producing reserves the operating companies are planning to drill 4 wells in 2004. Two of these wells are horizontal deviations off existing wells, Hemmelte Z-8a (West) and Goldenstedt Z-18a (East). The operating companies have generally had very good success with their horizontal wells. Additionally two new wells Kneheim Z-5 (West) and Sage Z-4 (East) are planned. These two wells would hopefully result in increased levels of reserves.

Based on the limited information available, Ralph E. Davis Associates, Inc., the Trust's petroleum consultants, have prepared and submitted their report on the Trust's estimated remaining net proved producing reserves as of October 1, 2003. (The complete text of the report is available in the Trust's 2003 10-K as exhibit 99.1.) The report indicates that net Trust gas reserves declined by 11.98% from 44,483 million cubic feet ("MMcf") to 39,152 MMcf on net sales for 2003 of 4,144 MMcf and a negative reserve adjustment of 1,181 MMcf. Since the reserves in the Davis report are limited to proved producing reserves, the steps by the operating companies outlined above are not reflected in any way in the current level of reserves shown in the report.

Finally, please note that the information necessary to prepare your tax return, including the 2003 cost depletion percentage of 9.4652%, is contained in the removable “Note to Unit Owners” on Pages 21 and 22 of this report.

December 30, 2003

Respectfully submitted,

John R. Van Kirk
Managing Director

NORTH EUROPEAN OIL ROYALTY TRUST

North European Oil Royalty Trust
Selected Financial Data (Cash Basis)

For Years Ended October 31	**2003**	**2002**	**2001**	**2000**	**1999**
German royalties received	$18,169,035	$17,435,504	$22,453,630	$14,155,028	$10,667,478
Interest income	31,477	60,961	137,305	96,460	70,026
Trust expenses	(802,153)	(610,689)	(684,111)	(583,226)	(596,081)
Net income on a cash basis	$17,398,359	$16,885,776	$21,906,824	$13,668,262	$10,168,423
Net income per unit on a cash basis	$1.95	$1.89	$2.47	$1.54	$1.17
Cash distribution declared per unit	$1.95	$1.89	$2.46	$1.56	$1.17
	$1.95	$1.89	$2.46	$1.56	$1.17
Units outstanding end of period	8,931,414	8,931,414	8,886,804	8,886,804	8,696,646
Registered unit owners	1,350	1,393	1,441	1,546	1,700

NORTH EUROPEAN OIL ROYALTY TRUST

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 ExxonMobil Corp., or by Oldenburgische Erdol Gesellschaft (“OEG”). As a result of direct and indirect ownership, ExxonMobil Corp. owns two-thirds of OEG and the Royal Dutch Group owns one-third of 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. In 2002 Mobil Erdgas and BEB Erdgas und Erdol GmbH (“BEB”), a joint venture of ExxonMobil Corp. and the Royal Dutch Group, formed a company ExxonMobil Production Deutschland GmbH ("EMPG") to carry out all exploration, drilling and production activities. All sales activities are still handled by either Mobil Erdgas or BEB.

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 and oil well gas, which together account for approximately 99% of all the royalties under said agreement. The Trust is also 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 from the sale of sulfur under this agreement during fiscal 2003.

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 a certain allowed deduction of costs. Under the agreement previously reached with OEG, 50% of the field handling, treatment and transportation costs as reported for state royalty purposes are 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 the Trust and the financial information provided by the operating companies, the Trust's management has not seen a material change in the amount of the Trust's royalty receipts as a result of the application of this computation system.

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 the 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.

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, the Managing Director and the Audit Committee Chairman, 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 Note 3 to Financial Statements in Item 8 of this Report.

NORTH EUROPEAN OIL ROYALTY TRUST

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 2003 versus Fiscal 2002

For fiscal 2003 the Trust's gross royalty income increased 4.2% from $17,435,504 to $18,169,035. The strengthening of world oil prices along with the gradual, albeit minor, improvement in the European economy combined to increase the amount of royalties paid to the Trust. Additionally the Euro continued its climb through the first three quarters before falling back slightly in the final quarter of fiscal 2003.

Under the higher royalty rate agreement with ExxonMobil the average quarterly gas price for the last two fiscal years fell to its low point of 1.3517 Euro cents per kilowatt hour ("Ecents/Kwh") during the first quarter of fiscal 2003. From that point, the average quarterly price increased on a quarter over quarter basis for the next two quarters before falling back slightly in the final quarter. For the entire fiscal year the average gas price fell by 1.5% from 1.4394 Ecents/Kwh for fiscal 2002 to 1.4180 Ecents/Kwh for fiscal 2003.

Under the lower royalty rate agreement with BEB the average quarterly gas price for the last two fiscal years fell to its low point of 1.1864 Ecents/Kwh during the fourth quarter of fiscal 2003. With the exception of the third quarter the average quarterly gas price posted a decline over the gas prices for the prior year's equivalent period. For the entire fiscal year the average gas price fell by 6.35% from 1.3917 Ecents/Kwh for fiscal 2002 to 1.3033 Ecents/Kwh for fiscal 2003.

Except for a minor drop-off during the fourth quarter of fiscal 2003, the value of the Euro has increased steadily during the last two years. Using the transfer of royalties from Germany to the U.S. to provide an average value for the Euro, the value of the Euro during fiscal 2002 increased from $0.8728 in the first quarter to $0.9745 in the fourth quarter. During fiscal 2003 the value of the Euro continued its almost uninterrupted rise posting average values of $1.0385, $1.0806 and $1.1586 in the first through third quarters before falling back slightly to $1.1239 in the fourth quarter. When we use the average exchange rates and convert prices measured in Ecents/Kwh into more familiar terms of dollars/Mcf, we see average yearly gas prices under the higher and lower royalty rate agreements of $4.46/ Mcf and $4.02/Mcf, increases of 17.8% and 14.9%, respectively for fiscal 2003.

Fiscal 2003 versus Fiscal 2002 *(continued)*

Following the sudden death of the Trust's German consultant Dr. Wolfgang Sohn in March of 2003, the Trust began discussions with Mr. Alfred Stachel, the Senior Vice President of Domestic Gas/Oil Exploration and Production with RWE-Dea AG a German energy corporation, about his assuming Dr. Sohn's duties. Mr. Stachel's service with RWE-Dea AG concluded at the end of August and as of October 1, 2003 he assumed the position of the Trust's German consultant.

For fiscal 2003 the decline in gas production and sales was concentrated in the western half of the Oldenburg concession. In each quarter western gas sales posted a year over year decline. In total for the year western Oldenburg gas sales declined 13.7% from 87.50 billion cubic feet ("BCF") in fiscal 2002 to 75.54 BCF in fiscal 2003. Eastern gas sales increased 8.7% from 104.85 BCF in fiscal 2002 to 113.92 BCF in fiscal 2003. Overall gas sales declined 1.5% from 192.35 BCF in fiscal 2002 to 189.46 BCF in fiscal 2003.

Interest income for fiscal 2003 was lower due to the historically low interest rates in effect. Trust expenses increased 31.35% from $610,689 in fiscal 2002 to $802,153 in fiscal 2003. The combination of a reduction in Trust expenses in fiscal 2002 resulting from the reimbursement by the New York Stock Exchange for expenses associated with the Trust's symbol change from "NET" to "NRT" and higher legal and audit expenses in fiscal 2003 that were associated with the additional requirements imposed by the Sarbanes-Oxley Act of 2002 resulted in the substantial increase in fiscal 2003.

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.

Fiscal 2002 versus Fiscal 2001 *(continued)*

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. Overall 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 aditional requirements imposed by the Sarbanes-Oxley Act of 2002.

This report contains forward looking statements concerning the business, the financial performance and the 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.

NORTH EUROPEAN OIL ROYALTY TRUST

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 2003 and 2002 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 2003

Quarter Ended	Low Closing Price	High Closing Price	Distribution Per Unit
January 31, 2003	$19.15	$23.55	$0.51
April 30, 2003	$20.30	$24.50	$0.50
July 31, 2003	$22.25	$24.55	$0.49
October 31, 2003	$22.03	$24.50	$0.45

Fiscal Year 2002

Quarter Ended	Low Closing Price	High Closing Price	Distribution Per Unit
January 31, 2002	$18.00	$20.57	$0.51
April 30, 2002	$19.03	$23.25	$0.50
July 31, 2002	$21.00	$25.40	$0.50
October 31, 2002	$21.60	$24.59	$0.38

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 2003 is 9.4652%. 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 2003 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, 2003, was 1,347. 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).

NORTH EUROPEAN OIL ROYALTY TRUST

REPORT OF INDEPENDENT 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, 2003 and 2002, and the related statements of revenue collected and expenses paid, undistributed earnings and changes in cash and cash equivalents for the two years 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 statements of revenue collected and expenses paid, undistributed earnings and changes in cash and cash equivalents for the year ended October 31, 2001 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 audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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 audits provide 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, 2003 and 2002, its revenue collected and expenses paid, its undistributed earnings and changes in its cash and cash equivalents for each of the years then ended, on the basis of accounting described in Note 1.

Ernst & Young LLP

New York, New York
December 18, 2003

NORTH EUROPEAN OIL ROYALTY TRUST

STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS (NOTE 1)
OCTOBER 31, 2003 AND 2002

ASSETS

	2003	2002
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	$4,063,766	$3,458,577
PRODUCING GAS AND OIL ROYALTY RIGHTS (Note 1)	1	1
	$4,063,767	$3,458,578

LIABILITIES AND TRUST CORPUS

	2003	2002
CURRENT LIABILITIES:		
Cash distributions payable to unit owners, paid November 2003 and 2002	$4,019,136	$3,393,937
CONTINGENT LIABILITY (Note 3)		
TRUST CORPUS (Notes 1 and 2)	1	1
UNDISTRIBUTED EARNINGS (Note 1)	44,630	64,640
	$4,063,767	$3,458,578

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

STATEMENTS OF INCOME AND EXPENSES ON A CASH BASIS (NOTE 1) FOR THE FISCAL YEARS ENDED OCTOBER 31, 2003, 2002 AND 2001

	2003	2002	2001
GERMAN GAS, OIL AND SULFUR ROYALTIES RECEIVED	$18,169,035	$17,435,504	$22,453,630
INTEREST INCOME	31,477	60,961	137,305
TRUST EXPENSES	(802,153)	(610,689)	(684,111)
NET INCOME ON A CASH BASIS	$17,398,359	$16,885,776	$21,906,824
NET INCOME PER UNIT ON A CASH BASIS	$1.95	$1.89	$2.47
CASH DISTRIBUTIONS PAID OR TO BE PAID			
Distributions per unit paid or to be paid to unit owners (Note 5)	$1.95	$1.89	$2.46

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

NORTH EUROPEAN OIL ROYALTY TRUST

STATEMENTS OF UNDISTRIBUTED EARNINGS (NOTE 1)
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2003, 2002 AND 2001

	2003	2002	2001
BALANCE, beginning of year	$ 64,640	$ 59,237	$ 13,951
NET INCOME ON A CASH BASIS	17,398,359	16,885,776	21,906,824
	17,462,999	16,945,013	21,920,775
LESS:			
Current year distributions paid or to be paid to unit owners (Note 5)	17,418,369	16,880,373	21,861,538
BALANCE, end of year	$ 44,630	$ 64,640	$ 59,237

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, 2003, 2002 AND 2001

	2003	2002	2001
SOURCES OF CASH AND CASH EQUIVALENTS:			
German gas, sulfur and oil royalties received	$18,169,035	$17,435,504	$22,453,630
Interest income	31,477	60,961	137,305
	18,200,512	17,496,465	22,590,935
USES OF CASH AND CASH EQUIVALENTS:			
Payment of Trust expenses	802,153	610,689	684,111
Distributions and dividends paid (Note 3)	16,793,170	18,818,519	19,462,100
	17,595,323	19,429,208	20,146,211
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	605,189	(1,932,743)	2,444,724
CASH AND CASH EQUIVALENTS, beginning of year	3,458,577	5,391,320	2,946,596
CASH AND CASH EQUIVALENTS, end of year	$ 4,063,766	$ 3,458,577	$ 5,391,320

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

NORTH EUROPEAN OIL ROYALTY TRUST

NOTES TO FINANCIAL STATEMENTS
October 31, 2003, 2002, and 2001

(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, 2003, 2002 and 2001, there were 8,931,414, 8,931,414 and 8,886,804 units of beneficial interest outstanding, respectively.

Notes to Financial Statements *(continued)*

(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, 2002, 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, 2003, 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 2003 distribution, the maximum liability of the Delaware Escheator will be $13,414,581.

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

Notes to Financial Statements *(continued)*

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, 2003 distribution, the maximum liability of the New York Administrator will be $1,009,524.

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, 2003, 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 $30,884,946 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) Related Party Transactions:

John R. Van Kirk, the Managing Director of the Trust, provides office space and office services to the Trust at cost. During fiscal 2003, the Trust reimbursed him a total of $19,151.75 for such office space and office services.

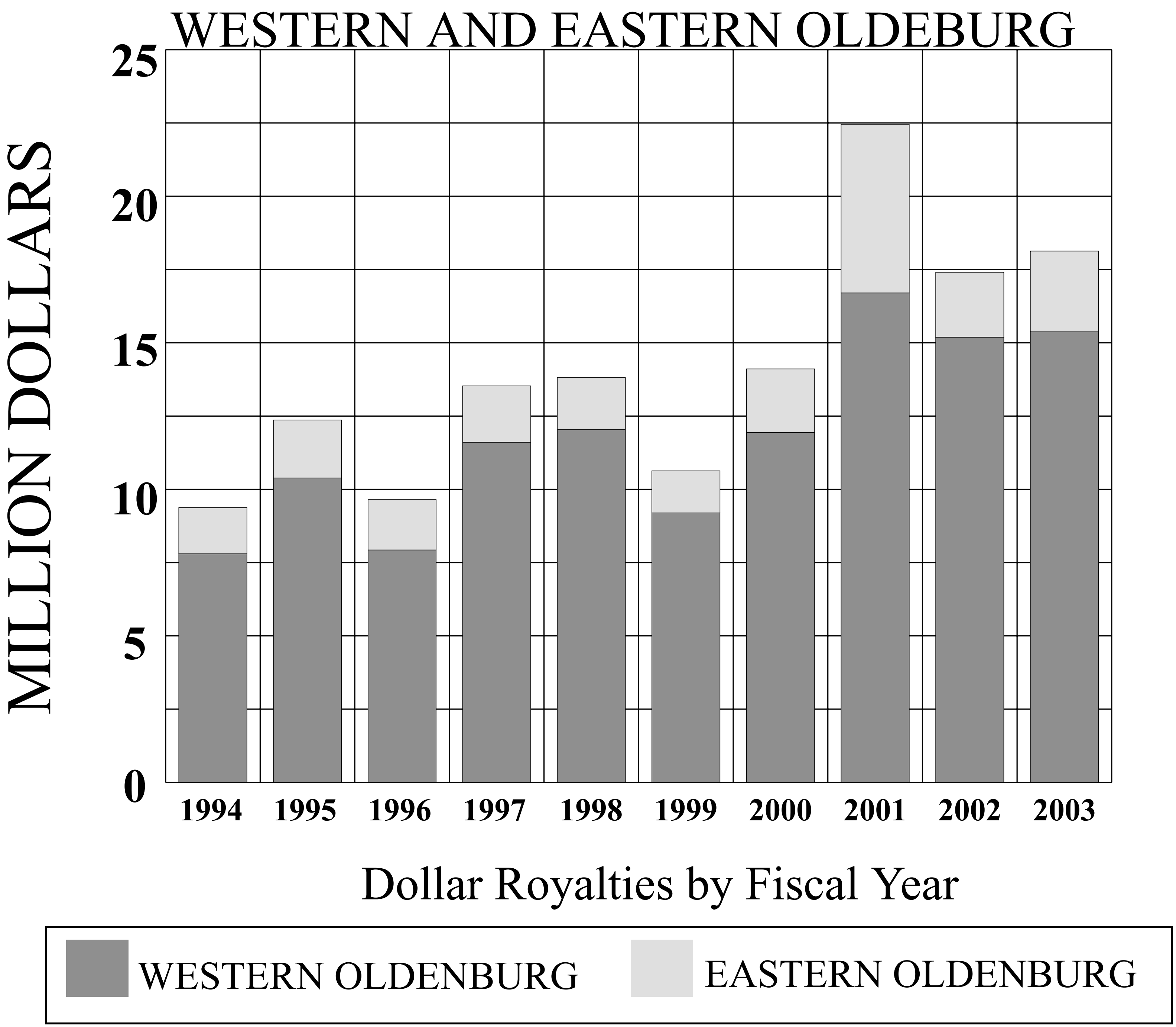
(5) Quarterly results (unaudited):

The table below summarizes the quarterly results and distributions of the Trust for the fiscal years ended October 31, 2003 and 2002.

	Fiscal 2003 by Quarter and Year				
	First	**Second**	**Third**	**Fourth**	**Year**
Royalties received	$4,766,564	$4,699,755	$4,536,318	$4,166,398	$18,169,035
Net income on a cash basis	$4,520,367	$4,528,543	$4,352,137	$3,997,312	17,398,359
Net income per unit on a cash basis	.51	.51	.49	.45	1.95
Current year cash distributions paid or to be paid	$4,555,689	$4,467,170	$4,376,504	$4,019,006	$17,418,369
Current year cash distributions per unit	.51	.50	.49	.45	1.95

	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	$16,880,373
Current year cash distributions per unit	.51	.50	.50	.38	1.89

DOLLAR ROYALTIES



TEAR OUT HERE

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 2003 INCOME TAX RETURNS
THE TRUST DOES NOT FILE NOR FURNISH TO OWNERS FORM 1099

January 2, 2004

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 2003.

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. In the initial year of ownership the original cost of the units is the basis for computing the cost depletion. In each subsequent year the basis for computing cost depletion is the adjusted cost basis for their units. This adjusted cost basis is the original cost less the cumulative amount of depletion previously taken. For example 100 units purchased at $20 per unit on January 2nd of a given year would have a cost basis of $2,000. If the cost depletion percentage for that year were 10%, you would show a cost depletion of $200 on your tax return and your adjusted cost basis for the following year would be $1,800. If you continued to hold those units through the next year and the cost depletion percentage were the same, you would show a cost depletion of $180 on your tax return and your adjusted cost basis for the following year would be $1,620. The preceding example is for illustration purposes only.

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 2003 is 9.4652%. 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 2003, 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, 2003 through December 31, 2003, 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 2003	$0.2070	$0.0108
February	0.1931	0.0105
March	0.1670	0.0056
April	0.1661	0.0031
May	0.2000	0.0071
June	0.1748	0.0072
July	0.1332	0.0064
August	0.1770	0.0079
September	0.1753	0.0058
October	0.1142	0.0053
November	0.1486	0.0090
December	0.1580	0.0094
TOTAL 2003	$2.0143	$0.0881

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 .094652. 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 2003.

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.

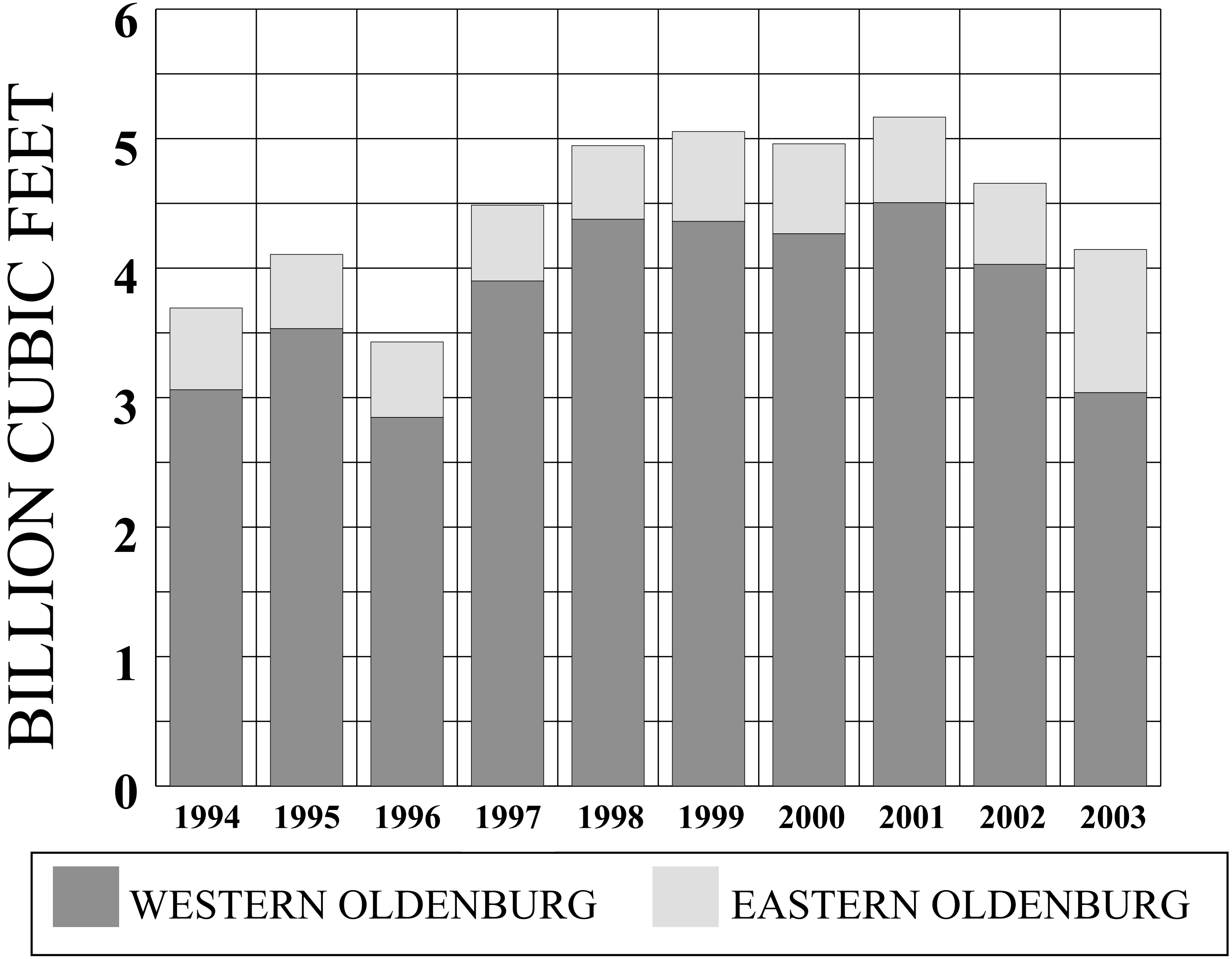
<u>The Trust will submit this letter and the listing of unit owners during 2003 to the Internal Revenue Service</u>. This list will contain names, addresses and tax ID or Social Security Numbers; we suggest that you attach this letter to your tax returns

Most sincerely,

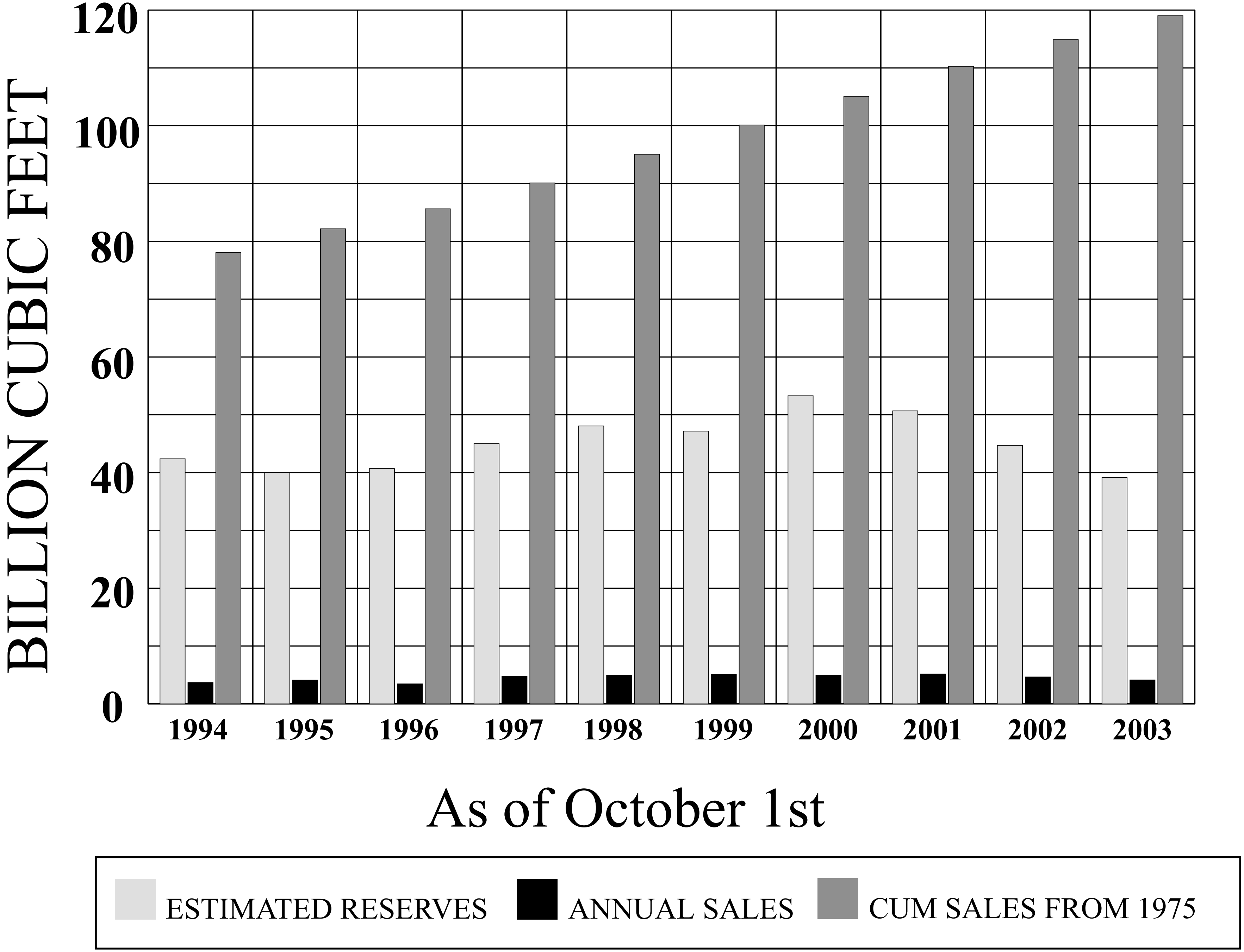
John R. Van Kirk
Managing Director

TEN YEAR HISTORY OF NET GAS SALES

REFLECTING EFFECTIVE ROYALTY RATES



NET GAS RESERVES (ESTIMATED) AND VOLUME OF NET GAS SALES



NORTH EUROPEAN OIL ROYALTY TRUST

A copy of the Trust's Form 10-K Annual Report for fiscal 2003 as filed with the Securities and Exchange Commission will be sent upon written request to John R. Van Kirk, Managing Director, P.O. Box 456, Red Bank, New Jersey 07701.