North European Oil Royalty Trust

REPORT TO OWNERS
for the three months ended January 31, 2003

NORTH EUROPEAN OIL ROYALTY TRUST

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CONDENSED INCOME STATEMENTS (Cash Basis) (unaudited)

	For the Three Months Ended January 31, 2003	January 31, 2002
German royalties received	$4,766,564	$4,765,084
Interest income	8,520	24,302
Trust expenses	254,717	246,541
Net income on a cash basis	$4,520,367	$4,542,845
Net income per unit on a cash basis	$ .51	$ .51
Cash distributions declared per unit	$ .51	$ .51
Units outstanding	8,931,414	8,931,414

This report may contain 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 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

Report to Unit Owners:

Net Trust income for the first quarter of fiscal 2003 was $4,520,367. This level of income permitted a distribution of 51 cents per unit which is being paid on February 26, 2003 to owners of record as of February 14, 2003. Gross royalty income of $4,766,564 for the quarter ended January 31, 2003 was virtually unchanged from the same period last year. This royalty income was based on sales of gas, oil and sulfur from the Trust's overriding royalty areas in Germany during the fourth calendar quarter of 2002.

With both gas sales and gas prices declining in comparison to the first quarter of fiscal 2002, it was only the impact of higher exchange rates that enabled the distribution for the quarter just ended to equal that of the prior year's equivalent quarter. The amount of gas sold under the higher royalty rate agreement covering western Oldenburg declined by 10.46% from 23.29 billion cubic feet ("Bcf") in the first quarter of fiscal 2002 to 20.86 Bcf in the quarter just ended. Gas sales from the entire Oldenburg concession covered under the lower royalty rate agreement fell by 7.55% from 57.98 Bcf to 53.61 Bcf. The average price for gas sold under the higher royalty rate agreement declined 9.89% from 1.5001 Euro cents per Kwh ("Ecents/Kwh") to 1.3517 Ecents/Kwh. The average price for gas sold under the lower royalty rate agreement declined 6.29% from 1.3999 Ecents/Kwh to 1.3119 Ecents/Kwh. The impact of the decline in both gas sales and gas prices is shown cleartly in the amount of royalties in Euros paid to the Trust. Royalties paid to the Trust under the higher royalty rate agreement declined 18.7% from 4,029,724 Euros to 3,275,614 Euros. Royalties paid to the Trust under the lower royalty rate agreement declined 15.6% from 1,391,854 Euros to 1,175,022 Euros. The average value of the Euro for the quarter just ended increased 18.98% compared to the first quarter of fiscal 2002 from a dollar equivalent of $0.8728 to $1.0385. Using this average value for the Euro and converting gas prices into more familiar terms, gas prices under the higher and lower royalty rate agreements averaged $4.05 per Mcf and $3.88 per Mcf, respectively.

The decline in gas sales appears to be related to a combination of reduced demand caused by the economic slowdown in the world in general and in Germany specifically. The increase in the value of the Euro would seem to be a result of a combination of the continuing economic difficulties in the United States, the historically low interest rates and the uncertainty posed by the possibly impending conflict in the Middle East.

In previous years the unit owners had voted on the choice of auditors for the Trust. The Trust, in response to the statutory requirements contained in the provisions of the Sarbanes-Oxley Act of 2002 which are in part intended to strengthen the role of the audit committee with respect to the issue of corporate oversight and governance, has shifted the responsibility for the selection of an auditor to the audit committee. The firm of Ernst & Young LLP assumed the audit responsibilities and despite the dissolution of the previous Trust auditor was able to complete the third quarter review and the annual audit without difficulty.

ANNUAL MEETING REPORT

The Annual Meeting of Unit Owners was held on February 12, 2003 at the University Club in New York City. Approximately 35 unit owners attended despite the very cold weather and over 80% of all units outstanding were represented in person or by proxy. The five serving Trustees were re-elected. In a question and answer period the topics of discussion ranged from the decline in reserve estimates to the comparatively high unit price on an historical basis.

With the start of 2002 the operating companies indicated that they would be resuming a more active drilling program with two horizontal production wells planned for 2002. In the previous two years only one well had been drilled despite other active measures to support the continued development of the reserves. The operating companies had postponed until 2002 the commencement of drilling of the two planned wells due to the complex drilling problems they presented. The operating companies underestimated the extent of the drilling difficulties and because of a required redrilling of the horizontal deviation exhausted their drilling budget for the year on the first well. The Trust will have more information available for the second quarter's report by which time we will have received the operating companies' annual reports on actual and proposed drilling and seismic work for 2002 and 2003. For an extended period of time the operating companies' drilling program has been concentrated on the task of ensuring sufficient sour gas to permit the Grossenkneten desulfurization plant to operate at capacity. The previous success of their use of horizontal drilling within the Zechstein zone, the sour gas bearing strata, has ensured that they have sufficient excess capacity in the currently producing gas wells to operate the plant at capacity for an extended period of time. This has allowed the operating companies to be more flexible in their drilling program in the last few years.

With regard to the comparatively high price of Trust units, I think this can be traced to a number of factors. The decline in average stock prices over the last two years has pushed investors to seek more reliable and secure investments. With the extremely low interest rates in effect, purely interest sensitive investment choices do not provide the level of return most investors are looking to receive. Given the relatively low daily trading volume as well as the desire of most Trust unit owners to retain their units for the stream of income they generate, the high demand for and the low supply of Trust units has pushed the price higher until it reached a certain "comfort" level based on the Trust's earnings. With the recent increases in world oil prices and the uncertainty posed by the possible conflict in the Middle East the apparent security of an investment in Trust units would seem to be further supported.

Respectfully submitted,

John R. Van Kirk
Managing Director

February 18, 2003