

**CONDENSED INCOME STATEMENTS**  
(Cash Basis) (unaudited)

	For the Three Months Ended July 31, 2002	For the Three Months Ended July 31, 2001	For the Nine Months Ended July 31, 2002	For the Nine Months Ended July 31, 2001
German royalties received.....	\$4,580,463	\$4,983,996	\$13,850,314	\$17,000,330
Interest income.....	11,874	35,447	48,727	112,366
Trust expenses.....	148,634	148,872	420,195	524,110
Net income on a cash basis.....	\$4,443,703	\$4,870,571	\$13,478,846	\$16,588,586
Net income per unit on a cash basis.....	\$ .50	\$ .54	\$ 1.51	\$ 1.87
Dividends and distributions per unit paid to formerly unlocated shareholders.....	\$ .00	\$ .00	\$ .00	\$ .00
Cash distributions declared per unit.....	\$ .50	\$ .54	\$ 1.51	\$ 1.86
Units outstanding.....	8,931,414	8,886,804	8,931,414	8,886,804

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 the 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.

**NRT**  
**LISTED**  
**NYSE**

**NORTH EUROPEAN  
OIL ROYALTY TRUST**

**Managing Trustee**  
John H. Van Kirk

**Trustees**

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Samuel M. Eisenstat  
Willard B. Taylor  
Rosalie J. Wolf

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John R. Van Kirk

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# North European Oil Royalty Trust



REPORT TO OWNERS  
for the nine months ended July 31, 2002

## NORTH EUROPEAN OIL ROYALTY TRUST

### Report to Unit Owners:

The distribution detailed in this report, covering the Trust's third fiscal quarter ended July 31, 2002, represents your proportionate share of the net Trust income. Net Trust income declined by 8.7% to \$4,443,703, which permitted a distribution of 50 cents per unit compared to the distribution of 54 cents for the prior year's period. The current distribution is being paid on August 28, 2002 to holders of record as of August 9, 2002.

For the nine month fiscal period net Trust income was \$13,850,314, a decline of 18.7% from the prior year's period. Cumulative distributions for the nine month period are \$1.51 per unit compared to \$1.86 paid during the same period last year.

The primary factor affecting royalty revenue for the quarter just ended was the decline in gas prices. With the regularly scheduled maintenance at the Grossenkneten desulfurization plant shifted to some time in the August/September period, the plant was able to operate uninterrupted during the quarter just ended as compared to the third quarter of fiscal 2001 when maintenance was conducted during May. With the plant operating at full capacity for the entire period, gas production and sales for both the higher and lower royalty rate areas posted increases over the prior year. With the recent weakness in the U.S. equity markets and the perception that the U.S. economy was not improving as quickly as expected, the Euro was able to sustain a significant rally, even briefly exceeding parity with the dollar. While it has fallen back somewhat from its recent highs, the higher value of the Euro increased the amount of dollars received when the royalties were transferred to the U.S. and converted into dollars. However, despite the improvement in the value of the Euro and the increases in gas sales, these two positive factors could not offset the greater impact of lower gas prices.

Under the higher royalty rate agreement with the German subsidiary of Exxon Mobil covering western Oldenburg (from which the Trust derives the bulk of its royalties), average gas prices for the quarter declined 16.08% from the equivalent quarter for the prior year. Gas prices fell from 1.7552 Euro cents per Kilowatt hour ("Ecents/Kwh") to 1.4730 Ecents/Kwh. Converting this gas price using the average exchange rate for the quarter, the aver-

age price for gas sold under the higher royalty rate agreement was \$4.03 per Mcf. Under the lower royalty rate agreement with BEB, a joint venture between Exxon Mobil and the Royal Dutch Group, covering gas sales from the entire Oldenburg concession, gas prices declined 26.35% from 1.8718 Ecents/Kwh to 1.3785 Ecents/Kwh. Converting this quarter's price using the average exchange rate for the quarter, the average price for gas sold under the lower royalty rate agreement was \$3.66 per Mcf.

Except for regular annual maintenance normally scheduled for the lower demand period during the summer months, the Grossenkneten desulfurization plant operates at capacity year round. In addition there are other maintenance requirements that necessitate a more protracted shutdown. These extended maintenance requirements historically tend to average every other year and are timed to coincide with normal annual maintenance. Since approximately 80% of Oldenburg gas contains some level of hydrogen sulfide, the sour portion of sour gas, the smooth operation of Grossenkneten is extremely important to the Trust's royalty stream. During the quarter just ended overall Oldenburg gas sales increased by 5.77% from 41.72 Billion cubic feet ("Bcf") to 44.13 Bcf. Gas sales from the higher royalty rate area of western Oldenburg increased 1.57% from 21.96 Bcf to 22.31 Bcf. At this level gas sales from western Oldenburg accounted for 50.55% of total Oldenburg gas sales.

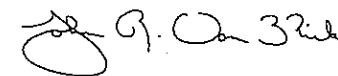
During the quarter just ended the Euro posted its most significant improvement since beginning its slow climb back towards parity with the dollar. At a dollar equivalent of \$0.9680 in average for the quarter, the Euro increased by 10.2% from the immediately preceding quarter's average of \$0.8784 and by 12.2% from the third quarter of fiscal 2001's average of \$0.8626. This higher exchange rate had the immediate impact of increasing the amount of dollars received by the Trust when the royalties, paid in Euros, were transferred to the United States.

If we discount the effects of differences in prices and effective exchange rates, the combination of royalty rates on gas sold from western Oldenburg results in an effective royalty rate approximately seven times higher on a cubic foot of gas than a similar cubic foot originating from the eastern

half of Oldenburg. The impact of the combined royalty rate is demonstrated by the fact that out of a total of \$4,566,754 in Oldenburg gas royalties for the quarter just ended, 90.1% or \$4,113,252 is attributable to gas sold under the combined royalty rate in effect in the western area.

In the quarterly report for the second quarter of 2002, we discussed the information supplied to the Trust by the operating companies with respect to anticipated drilling planned to be conducted during 2002. After 2001, during which no drilling had been conducted, we were pleased to be informed that three wells were scheduled to be drilled during 2002 and early 2003 and initial planning work for three future drilling projects would be started as well. The first well mentioned, a horizontal well Doetlingen Z-13a, had already been started in January with an expected completion date in May. The stated reason for the initial postponement of this well from 2001 to 2002 was the complex drilling problems that it presented. Unfortunately, the operating companies were all too accurate in their assessment of the problems involved. The well was not completed until July and required double drilling. Despite all the efforts, the productive length of the horizontal deviation was significantly shorter than expected, reducing the anticipated production rates. Finally, the additional time and complexity involved with the drilling of this well exhausted the 2002 Oldenburg drilling budget and caused the postponement of the other scheduled wells until 2003. We can take some consolation in the fact that the operating companies gained significant practical experience in dealing with the complex drilling problems associated with this well. If it is true that we learn from our mistakes, it would seem that for the operating companies there was a lot of learning going on.

Respectfully submitted,



John R. Van Kirk  
Managing Director

August 9, 2002