

NORTH EUROPEAN OIL ROYALTY TRUST

Report to Unit Owners:

Net Trust income for the first quarter of fiscal 2004 was \$4,134,113. This level of income permitted a distribution of 46 cents per unit which is being paid on February 25, 2004 to owners of record as of February 13, 2004. Gross royalty income of \$4,360,730 for the quarter ended January 31, 2004 declined by 8.5% from gross royalty income of \$4,766,654 received during last year's equivalent period. 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 2003.

With both the quarterly gas sales and gas prices posting lower levels in comparison to the first quarter of fiscal 2003, the impact of higher exchange rates on royalty transfers from Germany served to limit the drop in dollar royalties and the Trust distribution for the first quarter of fiscal 2004. The amount of gas sold under the higher royalty rate agreement covering western Oldenburg declined by 12.9% from 20.86 billion cubic feet ("Bcf") in the first quarter of fiscal 2003 to 18.16 Bcf in the quarter just ended. Gas sales from the entire Oldenburg concession covered under the lower royalty rate agreement fell by 13.1% from 53.61 Bcf to 46.59 Bcf. The decline in gas sales was almost evenly spread through both the eastern and western halves of the Oldenburg concession. The average price for gas sold under the higher royalty rate agreement declined 12.2% from 1.3487 Euro cents per Kwh ("Ecents/Kwh") to 1.1836 Ecents/Kwh. The average price for gas sold under the lower royalty rate agreement declined 7.6% from 1.3119 Ecents/Kwh to 1.2120 Ecents/Kwh. The impact of the decline in both gas sales and gas prices is shown clearly in the amount of royalties in Euros paid to the Trust. Royalties paid to the Trust under the higher royalty rate agreement declined 22.8% from 3,214,224 Euros to 2,481,980 Euros. Royalties paid to the Trust under the lower royalty rate agreement declined 22.6% from 1,175,022 Euros to 909,007 Euros. Based upon the conversion of Euro royalties into dollar royalties the average value of the Euro for the quarter just ended increased 18.1% compared to the first quarter of fiscal 2003 from a dollar equivalent of \$1.0385 to

\$1.2269. Using this average value for the Euro and converting gas prices into more familiar terms, gas prices under both the higher and lower royalty rate agreements averaged \$4.18 per Mcf.

From information provided by the operating companies the decline in gas sales appears to be related to a continuing decline in reservoir pressure along with interruptions in production caused by the large number of well shutdowns for required maintenance and efforts to address productivity problems or failures at subsurface levels.

ANNUAL MEETING REPORT

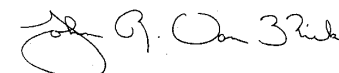
The Annual Meeting of Unit Owners was held on February 11, 2004 at the University Club in New York City. Both the high turnout of approximately 40 unit owners and the continuing high level of voting by the unit owners was noted and appreciated by the Trustees. With over 84% of all units outstanding represented in person or by proxy, the five serving Trustees were re-elected. In the question and answer period the primary topic of discussion was the reserve situation and the plans announced by the operating companies to address the recent decline in production.

The Managing Director reported that the Trust's new consultant in Germany, Mr. Alfred Stachel, had met with representatives of the operating companies to inquire about the reasons behind the decline in gas production and sales during the two most recent years. The operating companies explained that the decline was the result of the continuing drop in reservoir pressure and the resulting reduction in the flowrate of gas into the pipeline. They indicated that their response to this decline was three-fold. A program of workovers began in 2003 to address productivity problems and failures of subsurface installations in an effort to re-stimulate the wells. While these actions will help over time with production levels, on an immediate basis this program results in a reduction of current production due to the required well shutdown during this procedure. In the short term, the operating companies report that two new compressor units are being installed to permit a step by step reduction in reser-

voir pressure. With the pipeline pressure at a level of 75-80 bars, wellhead pressure must exceed that level for gas to force its way into the pipeline. As wellhead pressure declines over time, less and less gas enters the pipeline. The compressors provide the needed pressure to force the gas from the well into the pipeline at higher rates than the remaining residual wellhead pressure would permit. The eventual establishment of four different pressure levels within the pipeline system will permit the achievement of a final suction pressure of 7 bars. In the long term, the operating companies have indicated their intent to increase the drilling program that has been limited in recent years. Four wells are currently planned for 2004 with two each in both the eastern and western areas of the Oldenburg concession. There is both a new vertical well (to develop a previously untapped area) and a horizontal deviation off an existing well (to increase production rates and recoverable reserves) planned for both areas. For 2005 two additional horizontal deviations are currently being planned. Finally a review of seismic data for larger areas is planned that will hopefully result in an infill drilling program to reach reserves not currently accessible by existing wells.

It is our hope that these efforts will be implemented by the operating companies and will result in an increase in both future production and sales levels as well as accelerating the replacement of reserves reduced through current production.

Respectfully submitted,



John R. Van Kirk
Managing Director

February 13, 2004

CONDENSED INCOME STATEMENTS
(Cash Basis) (unaudited)

For the Three Months Ended
January 31, 2004 **January 31, 2003**

German royalties received.....	\$4,360,730	\$4,766,564
Interest income.....	6,393	8,520
Trust expenses.....	233,010	254,717
Net income on a cash basis.....	\$4,134,113	\$4,520,367
Net income per unit on a cash basis.....	\$.46	\$.51
Cash distributions declared per unit.....	\$.46	\$.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 sale prices, general economic conditions and currency exchange rates. Actual results and events may vary significantly from those discussed in the forward looking statements.

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NORTH EUROPEAN
OIL ROYALTY TRUST

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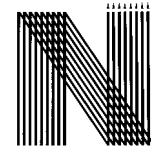
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North European Oil Royalty Trust



REPORT TO OWNERS
for the three months ended January 31, 2004