Annual Report 2016

North European Oil Royalty Trust

ATTENTION:

PLEASE RETAIN
CRITICAL TAX INFORMATION ENCLOSED

NORTH EUROPEAN OIL ROYALTY TRUST

The Annual Meeting of Unit Owners will be held on February 16, 2017, at 10:00 A.M., in Room A, Seventh 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. Men are required to wear a jacket and women 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 2016 tax return is included in the removable "2016 Tax Letter" on Pages 36 through 39. Please note that there will be no separate mailing of the tax letter

NORTH EUROPEAN OIL ROYALTY TRUST

Report to Unit Owners:

FOURTH QUARTER 2016

Net income for the Trust for the fourth quarter of fiscal 2016 was $1,078,292, a decrease of 48.58% from net income of $2,096,955 for the fourth quarter of fiscal 2015. The Trust receives nearly all of its royalties under two royalty agreements. The Mobil Agreement, the higher royalty rate agreement, covers gas sales from the western half of the Oldenburg concession. The OEG Agreement, the lower royalty rate agreement, covers gas sales from the entire Oldenburg concession. Gas royalties under the Mobil Agreement for the fourth quarter of fiscal 2016 were reduced by negative adjustments of $357,874, as compared to negative adjustments totaling $378,697 for the fourth quarter of fiscal 2015. Total royalties under the Mobil Agreement in the fourth quarter of fiscal 2015 were further reduced by a negative adjustment of $213,103, correcting the overpayment of sulfur royalties in 2013 and 2014. There were no negative sulfur adjustments during the fourth quarter of fiscal 2016. Gas royalties under the OEG Agreement for the fourth quarter of fiscal 2016 were reduced by a combination of negative and positive adjustments totaling $147,857, as compared to negative adjustments totaling $104,277 for the fourth quarter of fiscal 2015. Net income in the fourth quarter of 2016 was lower than the fourth quarter of 2015 due to lower gas prices and lower average exchange rates. The relevant details for the fourth quarters of fiscal 2016 and 2015 for gas sales under the Mobil and OEG Agreements are shown in the table below.

	Factors Determining Gas Royalties Payable		
	3rd Calendar Quarter Ended 9/30/2016	**3rd Calendar Quarter Ended 9/30/2015**	**Percentage Change**
<u>**Mobil Agreement**</u>:			
Gas Sales (Bcf[1])	6.688	5.829	+ 14.74%
Gas Prices[2] (Ecents/Kwh[3])	1.3753	2.1662	- 36.51%
Average Exchange Rate[4]	1.1047	1.1301	- 2.25%
Gas Royalties	$1,116,681	$1,636,070	- 31.75%
<u>**OEG Agreement**</u>:			
Gas Sales (Bcf)	18.752	18.728	+ 0.13%
Gas Prices (Ecents/Kwh)	1.4025	2.2187	- 36.79%
Average Exchange Rate	1.1068	1.1309	- 2.13%
Gas Royalties	$ 406,887	$ 714,479	- 43.05%

[1] Billion cubic feet	[2] Gas prices derived from May-July period
[3] Euro cents per Kilowatt hour	[4] Based on average exchange rates of royalty transfers

NORTH EUROPEAN OIL ROYALTY TRUST

FISCAL 2016 REPORT

For fiscal 2016, the Trust's gross royalty income decreased 43.82% to $6,960,961 from $12,390,575 in fiscal 2015 continuing to reflect the disruption in the energy market and the uncertainty of the world economy. The decrease in royalty income is due to declines in gas sales, gas prices and average exchange rates under both royalty agreements. As in prior years, the Trust receives information concerning adjustments from the operating companies based on their final calculations of royalties payable during the previous periods as well as other required adjustments. During fiscal 2016, the combination of positive and negative adjustments, including a net negative adjustment under the Mobil sulfur royalty, reduced royalty income by $433,462, the equivalent of $0.0472 per unit. During fiscal 2015, the combination of positive and negative adjustments, including a net negative adjustment under the Mobil Sulfur Royalty, reduced total royalty income by $807,974, the equivalent of $0.0879 per unit. Further details relating to the changes in gas sales, gas prices and average exchange rates for fiscal 2016 and 2015 are presented on pages 13 through 15.

The decrease in the amount of royalty income resulted in the lower distributions. The total distribution for fiscal 2016 was $0.67 per unit compared to $1.27 per unit for fiscal 2015.

The Trust's German consultant periodically contacts the representatives of the operating companies to inquire about their planned and proposed drilling and geophysical work and other general matters. The following represents a summary of the most recent information the Trust's German consultant received from representatives of the operating companies' unified exploration and production venture, ExxonMobil Production Deutschland GmbH ("EMPG"). The Trust is not able to confirm the accuracy of any of the information supplied by the operating companies. In addition, the operating companies are not required to take any of the actions outlined and, if they change their plans with respect to any such actions, they are not obligated to inform the Trust.

> After having suspended all drilling activities for 2015 and 2016 and with the continuing difficulties caused by low energy prices worldwide, EMPG has slowed the pace of its future drilling program. As recently as last spring, EMPG's drilling program provided for four wells to be drilled in 2017 followed by one well and one work-over in 2018, two wells in 2019 and one well in 2020. The new program calls for one well and one work-over in 2017, three wells in 2018, two wells in 2019 and one well in 2020. Despite the lifting of the moratorium on hydraulic fracturing ("fracking") as of July 8, 2016, there is no indication that fracking will be used in the near future. Historically, fracking had been used within the Oldenburg concession almost exclusively in wells accessing the Carboniferous zone and EMPG has no Carboniferous wells listed in the drilling program through 2020.
>
> During 2016, EMPG performed work-overs of five eastern wells and one western well: Neerstedt Z-3, Doetlingen Z-12, Goldenstedt Z-13 and Z-20, Hengstlage T-14 and Kneheim Z-3 (western). Workovers are conducted on older wells that for various reasons have experienced a drop in production due to a decline in pressure and can possibly benefit from further developmental efforts. These reasons can include the presence of formation debris, bacterial infestation and formation water influx.

The work-over scheduled for 2017 will be on Visbek Z-16a, a western Zechstein well. Visbek Z-16a suffered a severe casing collapse six months after it began production and was shut down in October 2013. While originally it was planned to drill a new coiled tubing sidetrack, the continuing low gas prices have made this choice uneconomical. Instead, this work-over will involve an attempt to repair the original casing. The new well listed for 2017 is Hemmelte NW T-1 which is planned to develop a new area of the sweet gas Bunter zone in western Oldenburg. This well was initially planned as a dual purpose well tapping both the Bunter and the deeper Zechstein zones but, due to technical difficulties, was scaled back. A second well to access the Zechstein zone at a later date was initially mentioned but no further information has been forthcoming.

The three new wells listed for 2018 are Brettorf Z-2b, Goldenstedt Z-12a M1 and Goldenstedt Z-25a M1. All these wells are multilateral wells, are located in eastern Oldenburg and are sour gas infill wells. Multilateral wells take advantage of a single master well to draw from multiple sidetracks. The primary advantage is the cost saving in using a single borehole for more than one sidetrack.

The two new wells listed for 2019 are Doetlingen Z-3A and Jeddeloh Z-1. Doetlingen Z-3A is intended to develop the Zechstein zone in eastern Oldenburg. Jeddeloh Z-1 is the first well being drilled in the Oldenburg concession with Vermilion as the lead developer. The well is an exploration well tentatively located in the western portion of the area designated as Oldenburg-Land, the southernmost area of the three areas within the concession subject to Vermilion's Farm-In Agreement. Vermilion's well is intended to develop the Rotliegend (Red Sandstone) formation, a previously undeveloped productive zone within the concession. Oldenburg-Land is a relatively undeveloped area of the concession compared to the southern area of Müensterland-Cloppenburg-Vechta where the majority of the wells operated by EMPG are located.

The single new well listed for 2020 is Alhorn Z-3, another sour gas well. Alhorn Z-3 is intended to reopen the old Alhorn field, which had been plugged and abandoned in 1997.

No firm dates have been announced for any of the wells described above. Information on wells that are not named or are in preliminary planning stages is not divulged by EMPG.

Based on the limited information available, Ralph E. Davis Associates, LLC, the Trust's petroleum consultant ("Davis Associates"), has prepared and submitted their report on the cost depletion percentage applicable to Trust unit owners for calendar 2016. The 2016 cost depletion percentage of 10.2769% and related tax information is contained in the removable "2016 Tax Letter" on Pages 36 through 39 of this report. The calculation of the cost depletion percentage is based on Davis Associates' estimate of remaining net proved producing reserves as of October 1, 2016. (The complete text of the report is available in the Trust's 2016 Report on Form 10-K as exhibit 99.1.) The application of the Trust's two royalty rates to gross remaining proved producing gas reserves or to gross gas sales for both eastern and western Oldenburg yields the net gas reserves or sales attributable to the Trust, as referenced in the charts on pages 5 and 6. The report indicates that net Trust gas reserves decreased 15.18% to 12.214 Bcf from 14.400 Bcf on net sales for 2016 of 1.392 Bcf and a negative reserve adjustment of 0.794 Bcf. As shown in the chart on page 6, the absence of drilling by the operating companies contributed to the failure to offset current gas sales with additions to proved producing reserves.

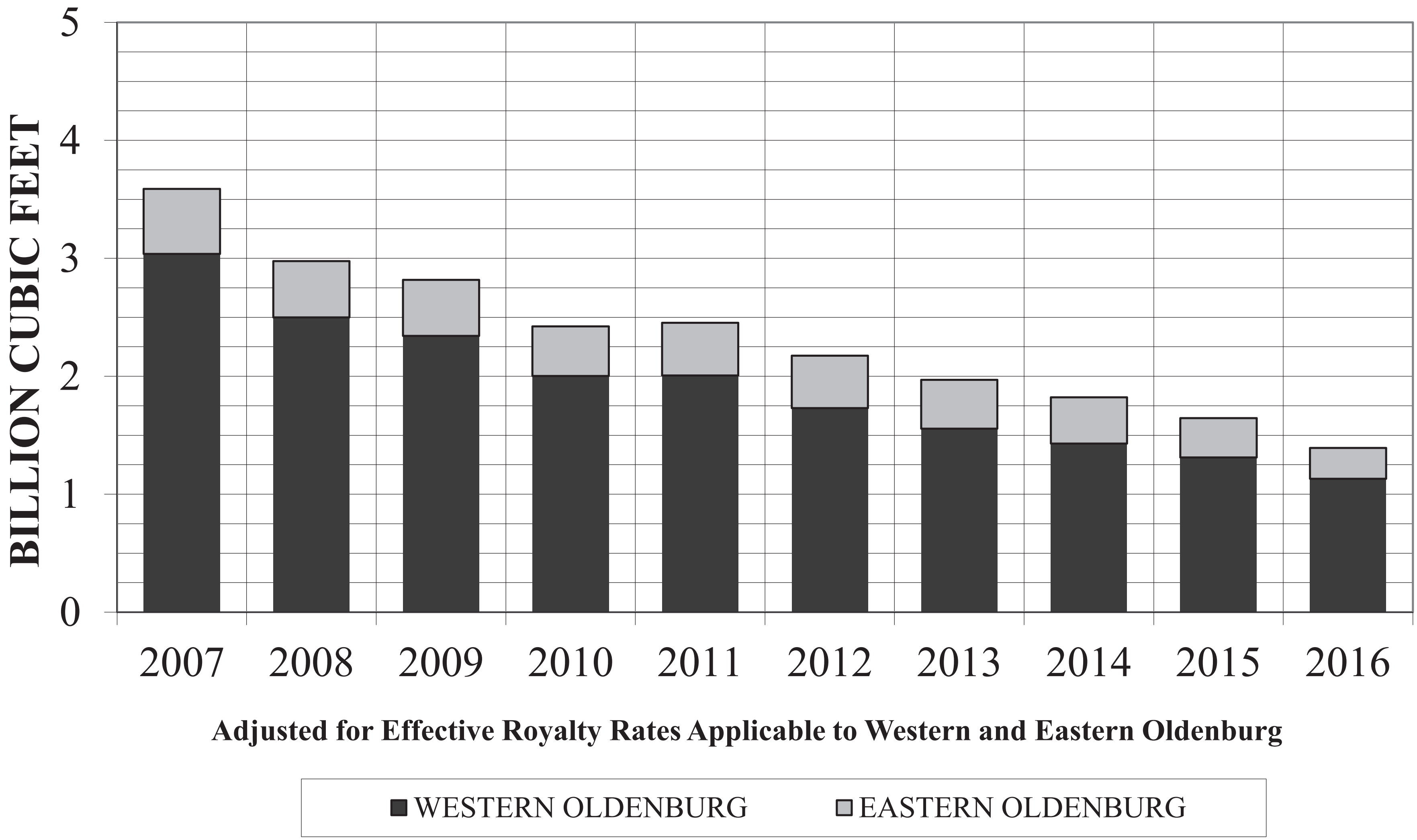
Respectfully submitted,

John R. Van Kirk
Managing Director

December 30, 2016

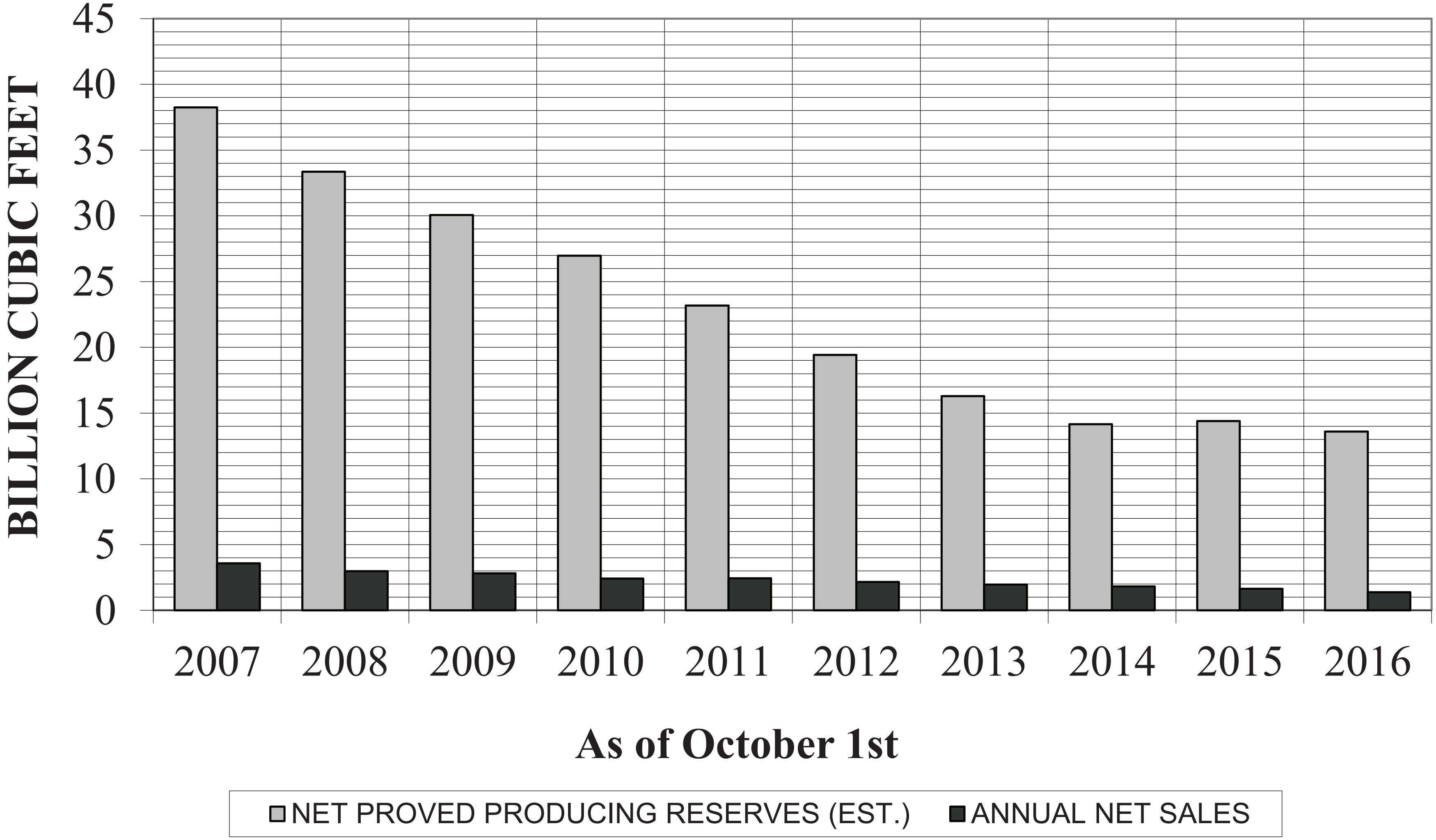
NORTH EUROPEAN OIL ROYALTY TRUST

TEN YEAR HISTORY OF NET GAS SALE VOLUMES



NORTH EUROPEAN OIL ROYALTY TRUST

NET PROVED PRODUCING GAS RESERVES (EST.) AND VOLUME OF NET GAS SALES

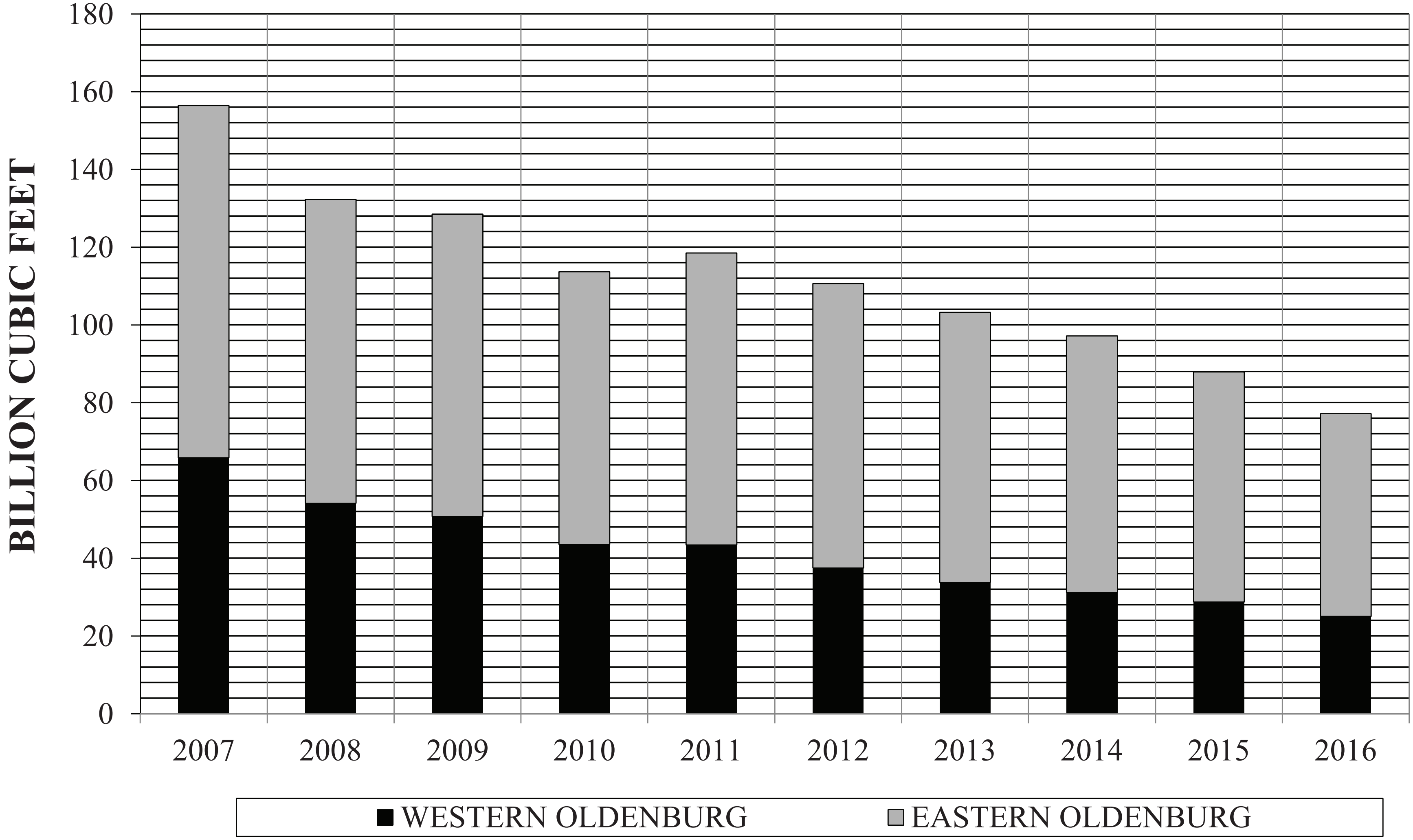


NORTH EUROPEAN OIL ROYALTY TRUST

North European Oil Royalty Trust Selected Financial Data (Cash Basis) For Fiscal Years Ended October 31	2016	2015	2014	2013	2012
Gas, sulfur and oil royalties received	$ 6,960,961	$12,390,575	$18,927,005	$21,546,298	$23,672,808
Interest income	4,548	9,439	18,724	25,363	40,156
Trust expenses	(824,368)	(819,341)	(901,150)	(936,355)	(1,103,003)
Net income	$ 6,141,141	$11,580,673	$18,044,579	$20,635,306	$22,609,961
Net income per unit	$ 0.67	$ 1.26	$ 1.96	$ 2.25	$ 2.46
Distributions per unit paid or to be paid to unit owners	$ 0.67	$ 1.27	$ 1.95	$ 2.25	$ 2.46
Units outstanding end of period	9,190,590	9,190,590	9,190,590	9,190,590	9,190,590

NORTH EUROPEAN OIL ROYALTY TRUST

GROSS GAS SALE VOLUMES



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 ExxonMobil, or by Oldenburgische Erdolgesellschaft ("OEG"). As a result of direct and indirect ownership, ExxonMobil owns two-thirds of OEG and the Royal Dutch/Shell Group of Companies owns one-third of OEG. The Oldenburg concession (1,386,000 acres), covering virtually the entire former Grand Duchy of Oldenburg and located in the German federal state of Lower Saxony, provides 100% of the royalties received by the Trust. BEB Erdgas und Erdol GmbH (“BEB”), a joint venture in which ExxonMobil and the Royal Dutch/Shell Group each own 50%, administers the concession held by OEG. In 2002, Mobil Erdgas and BEB formed EMPG to carry out all exploration, drilling and production activities. All sales activities are still handled by either Mobil Erdgas or BEB.

Vermilion Energy Inc. (“Vermilion”), a Canadian based international oil and gas producer, entered into a Farm-In Agreement (the “Farm-In Agreement”) with Mobil Erdgas and BEB. The Farm-In Agreement specifies that Vermilion has acquired an interest in various portions of a concession or areas owned by Mobil Erdgas and BEB. Three of these licenses cover the three northernmost areas of the Oldenburg concession. The Farm-In Agreement commits Vermilion to financial participation at a 50% level in 11 gross exploratory wells over the next five years. If Vermilion conducts any successful drilling within the confines of the Oldenburg concession, sales of that gas or oil would be subject to the relevant royalty contract. The Trust’s German consultant has confirmed for the Trust that Vermilion will lead the development of its first well within the Oldenburg concession with a possible start time in 2019. The well is tentatively located in the western portion of the area designated Oldenburg-Land, the southernmost area of the three areas within the concession subject to Vermilion’s Farm-In Agreement. Vermilion’s well is intended to develop the Rotliegend (Red Sandstone) formation, a previously undeveloped productive zone within the concession.

Under the Mobil Agreement 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 Mobil Agreement 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. Historically, the Trust has received significantly greater royalty payments under the Mobil Agreement (as compared to the OEG Agreement described below) due to the higher royalty rate specified by that agreement.

The Trust is also entitled under the Mobil Sulfur Agreement to receive 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 of sulfur by Mobil Erdgas at a selling price above an agreed upon base price. This base price is adjusted annually by an inflation index. When the average quarterly selling price falls below the indexed base price, no sulfur royalties are paid by Mobil Erdgas. Sulfur royalties under the Mobil Agreement totaled ($51,576), $78,094 and $375,614 during fiscal 2016, 2015 and 2014, respectively. The 2016 figure includes negative adjustments from 2015, 2013, 2012 and 2011 of $36,336, $43,087, $186,045 and $56,225, which more than offset sulfur royalties payable. The 2015 figure includes negative adjustments from 2014 and 2013 of $80,516 and $134,832, respectively. The operating companies had improperly allocated eastern sulfur sales to the Mobil Agreement during 2015, 2014, 2013, 2012 and 2011 resulting in the overpayment of sulfur royalties.

Under the OEG Agreement covering the entire Oldenburg concession, the Trust receives royalties at the rate of 0.6667% on gross receipts from sales by BEB 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 OEG Agreement, 50% of the field handling and treatment 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.

On August 26, 2016, the Trust executed amendments to its existing royalty agreements with OEG and Mobil establishing a new base for the determination of gas prices upon which the Trust's royalties are determined. As a result, neither the contractual price nor the spot market price will be a determining factor in the calculation of royalties payable to the Trust. As specified in the amendments, the Trust's new pricing procedure now matches the German State royalty calculation basis which is codified in the pertinent German State Royalty Code (Niedersächsische Verordnung über die Feldes- und die Förderabgabe). As this pricing procedure is currently configured, the state assessment base for natural gas is the average German Border Import gas Price (the "GBIP"). In the royalty calculations for the Trust, the GBIP for the period corresponding to the respective calendar quarter (adjusted by a percentage factor) will be the price used in the relevant calculation of quarterly royalties payable. For simplification purposes, we will use "GBIP" when referring to the current state assessment base.

The change to the GBIP is intended to be revenue neutral for the Trust. Additionally, this change should reduce the scope and cost of the accounting examination, eliminate ongoing disputes with OEG and Mobil regarding sales to related parties, and reduce prior year adjustments to the normally scheduled year-end reconciliation. The new pricing basis will also eliminate certain costs (transportation and plant gas storage) that were previously deductible prior to the royalty calculation under the agreement with OEG.

Actual gas sales from the prior calendar quarter will be multiplied by the average GBIP for a period starting two months earlier and will provide the basis for royalty payments to the Trust during its fiscal quarter. The average GBIP for the corresponding period of actual sales is not available due to the delay in its calculation. In the final calculation of royalties payable for calendar 2015, the average GBIP under the Mobil and OEG Royalty Agreements was increased by 2% and 5%, respectively. For calendar 2016 and forward, the average GBIP under the Mobil and OEG Royalty Agreements will be increased by 1% and 3%, respectively. In March of the following calendar year, an average GBIP for the prior calendar year (weighted on a monthly basis by the respective volume of imported gas) is published. In September of the following calendar year, EMPG will make a final reconciliation based upon the published yearly average GBIP increased by the respective percentage factor and the total volume of gas sold under the royalty agreements during the prior calendar year.

The new basis for oil prices would be the published price from the State Authority for Mining, Energy and Geology. There are no percentage adjustments factored into the oil royalty calculation. There was no change in the previous methodology used with regard to the determination of royalties attributable to sales of sulfur.

In addition to the Oldenburg area, the Trust also holds overriding royalties at various rates on a number of currently non-producing leases of various sizes in other areas of Germany. One of these leases, Grosses Meer, was formerly active but provided no royalties during fiscal 2016, 2015 and 2014.

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

Executive Summary

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. As mandated by the Trust Agreement, distributions of income are made on a quarterly basis. These distributions, as determined by the Trustees, constitute substantially all of the funds on hand after provision is made for Trust expenses then anticipated.

The Trust does not engage in any business or extractive operations of any kind in the areas over which it holds royalty rights and is precluded from engaging in such activities 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 properties of the Trust are described above in "Description of Trust Assets." Of particular importance with respect to royalty income are the two royalty agreements, the Mobil Agreement and the OEG Agreement. The Mobil Agreement covers gas sales from the western part of the Oldenburg concession. Under the Mobil Agreement, the Trust has traditionally received the majority of its royalty income due to the higher royalty rate of 4%. The OEG Agreement covers gas sales from the entire Oldenburg concession but the royalty rate of 0.6667% is significantly lower and gas royalties have been correspondingly lower.

The operating companies pay monthly royalties to the Trust based on their sales of natural gas, sulfur and oil. Of these three products, natural gas provided approximately 96% of the total royalties in fiscal 2016. The amount of royalties paid to the Trust is primarily based on four factors: the amount of gas sold, the price of that gas, the area from which the gas is sold and the exchange rate.

On approximately the 25th of the months of January, April, July and October, the operating companies calculate the amount of gas sold during the previous calendar quarter and determine the amount of royalties that were payable to the Trust based on those sales. The pricing component to this royalty calculation no longer conforms to the same period. Due to the delay in the availability of the GBIP, the average GBIP for a three-month period ending two months prior to the end of the relevant calendar quarter is used. The average GBIP is increased by a percentage factor depending upon which royalty agreement forms the underlying basis for the royalty calculation. The respective royalty amount is divided into thirds and forms the monthly royalty payments to the Trust (payable on the 15th of each month) for the Trust's upcoming fiscal quarter. At the same time that the operating companies determine the actual amount of royalties that were payable for the prior calendar quarter, they look at the actual amount of royalties that were paid to the Trust for that period and calculate the difference between what was paid and what was payable. Additional amounts payable by the operating companies would be paid immediately and any overpayment would be deducted from the payment for the first month of the following fiscal quarter. In March of the following calendar year, an average GBIP for the prior calendar year (weighted on a monthly basis by the respective volume of imported gas) is published. In September of each year, the operating companies make the final determination of any necessary royalty adjustments for the prior calendar year with a positive or negative adjustment made accordingly. Currently, the Trust's German accountants review the royalty calculations on a biennial basis.

There are two types of natural gas found within the Oldenburg concession, sweet gas and sour gas. Sweet gas has little or no contaminants and needs no treatment before it can be sold. Sour gas, in comparison, must be processed at the Grossenkneten desulfurization plant before it can be sold. The desulfurization process removes hydrogen sulfide and other contaminants. The hydrogen sulfide in gaseous form is converted to sulfur in a solid form and sold separately. As needed, EMPG, the operator of the Grossenkneten desulfurization plant, conducts maintenance on the plant, generally during the summer months when demand is lower. Historically, sour gas production capacity during the period of maintenance work has been reduced by approximately one-third. There was no maintenance conducted during 2016. Maintenance was conducted from August 31, 2015 through October 13, 2015. The operating companies have informed the Trust that, to promote greater efficiency and cost effectiveness, the production capacity of Grossenkneten will be reduced beginning in 2017.

Under the Mobil and OEG Agreements, the gas is sold in one of three ways: (1) directly on the spot market; (2) between Mobil Erdgas and BEB (intra-company sales); or (3) directly to various distributors under contracts (which delineate, among other provisions, the timing, manner, volume and price of the gas sold). While the operating companies will continue to sell gas in one of these three ways, the impact of the respective pricing involved is no longer applicable to the Trust because, under the amended royalty agreements, the price point, which is used as part of the basis for the royalty calculations, is now the average GBIP.

The Trust's accountants in Germany have completed their examination of the operating companies for 2013 and 2014 and all relevant adjustments have been made to Trust royalties. Their next examination for the 2015-2016 period will be performed under the amended royalty agreements and will likely commence in November 2017.

For unit owners, changes in the dollar value of the Euro have an immediate impact. This impact occurs at the time the royalties, which are paid to the Trust in Euros, are converted into U.S. dollars at the applicable exchange rate and transferred from Germany to the United States. In relation to the dollar, a stronger Euro would yield more dollars and a weaker Euro would yield less dollars.

Seasonal demand factors affect the income from the Trust's royalty rights insofar as they relate to energy demands and increases or decreases in prices, but on average they are generally not material to the annual income received under the Trust's royalty rights.

The Trust has no means of ensuring continued income from overriding royalty rights at their present level or otherwise. The Trust's consultant in Germany provides general information to the Trust on the German and European economies and energy markets. This information provides a context in which to evaluate the actions of the operating companies. The Trust's consultant receives reports from EMPG with respect to current and planned drilling and exploration efforts. However, EMPG and the operating companies continue to limit the information flow to that which is required by German law.

The low level of administrative expenses of the Trust limits the effect of inflation on costs. Sustained price inflation would be reflected in sales prices. Sales prices along with sales volumes form the basis on which the royalties paid to the Trust are computed.

Results: Fiscal 2016 versus Fiscal 2015

For fiscal 2016, the Trust's gross royalty income decreased 43.82% to $6,960,961 from $12,390,575 in fiscal 2015 continuing to reflect the disruption in the energy market and the uncertainty of the world economy. The decrease in royalty income is due to declines in gas sales, gas prices and average exchange rates under both royalty agreements. The decrease in the amount of royalty income resulted in the lower distributions. The total distribution for fiscal 2016 was $0.67 per unit compared to $1.27 per unit for fiscal 2015. As in prior years, the Trust receives adjustments from the operating companies based on their final calculations of royalties payable during the previous periods. During fiscal 2016, the combination of positive and negative adjustments reduced royalty income by $381,886, the equivalent of $0.0416 per unit. Due to the incorrect inclusion in prior years of eastern sulfur sales in the royalty calculation under the Mobil Sulfur Agreement, the combination of current year sulfur royalties and the negative adjustment from prior years resulted in a net negative adjustment for fiscal 2016 of $51,576, the equivalent of $0.0056 per unit. During fiscal 2015, the combination of positive and negative adjustments reduced royalty income by $592,626, the equivalent of $0.0645 per unit. Due to the incorrect inclusion in prior years of eastern sulfur sales in the royalty calculation under the Mobil Sulfur Agreement, the combination of current year sulfur royalties and the negative adjustment from prior years resulted in a net negative adjustment for fiscal 2015 of $215,348, the equivalent of $0.0234 per unit.

Gas sales under the Mobil Agreement declined 12.83% to 25.043 Billion cubic feet ("Bcf") in fiscal 2016 from 28.729 Bcf in fiscal 2015. Gas sales in the first three quarters of fiscal 2016 showed a decline from the prior year's equivalent quarters. However, gas sales in the fourth quarter of fiscal 2016 were higher than the prior year's equivalent quarter. At least some of the increase in fourth quarter gas sales may be explained by the partial shutdown of the Grossenkneten desulfurization plant for a six-week period during the fourth quarter of fiscal 2015. Since the Trust does not receive information about the decision-making process of the operating companies, it is impossible to determine to what extent, if any, which factors may have impacted gas sales. However, according to the Trust's consultant in Germany, it is likely that some portion of the decline in gas production is due to the normal reduction in well pressure that is experienced over time. The suspension of all drilling activities during the 2015-2016 period likely has also impacted gas sales.

Quarterly and Yearly Gas Sales under the Mobil Agreement in Billion cubic feet

Fiscal Quarter	2016 Gas Sales	2015 Gas Sales	Percentage Change
First	6.604	7.876	- 16.15%
Second	6.834	7.642	- 10.57%
Third	4.917	7.382	- 33.39%
Fourth	6.688	5.829	+ 14.74%
Fiscal Year Total	25.043	28.729	- 12.83%

Average prices for gas sold under the Mobil Agreement decreased 28.39% to 1.5870 €cents/kWh in fiscal 2016 from 2.2162 €cents/kWh in fiscal 2015.

Average Gas Prices under the Mobil Agreement in Euro cents per Kilowatt Hour

Fiscal Quarter	2016 Gas Prices	2015 Gas Prices	Percentage Change
First	1.8649	2.3538	- 20.77%
Second	1.5622	2.3212	- 32.70%
Third	1.5363	2.0017	- 23.25%
Fourth	1.3753	2.1662	- 36.51%
Fiscal Year Avg.	1.5870	2.2162	- 28.39%

Converting gas prices into more familiar terms, using the average exchange rate, yielded a price of $5.04 per thousand cubic feet ("Mcf"), a 30.19% decrease from fiscal 2015's average price of $7.22/Mcf. For fiscal 2016, royalties paid under the Mobil Agreement were converted and transferred at an average Euro/dollar exchange rate of $1.1083, a decrease of 2.12% from the average Euro/dollar exchange rate of $1.1323 for fiscal 2015.

Average Euro Exchange Rate under the Mobil Agreement

Fiscal Quarter	2016 Average Euro Exchange Rate	2015 Average Euro Exchange Rate	Percentage Change
First	1.0881	1.2127	- 10.27%
Second	1.1173	1.0754	+ 3.90%
Third	1.1185	1.1113	+ 0.65%
Fourth	1.1047	1.1301	- 2.25%
Fiscal Year Avg.	1.1083	1.1323	- 2.12%

Excluding the effects of differences in prices and average exchange rates, the combination of royalty rates on gas sold from western Oldenburg results in an effective royalty rate approximately seven times higher than the royalty rate on gas sold from eastern Oldenburg. This is of particular significance to the Trust since gas sold from western Oldenburg provides the bulk of royalties paid to the Trust. For fiscal 2016, the volume of gas sold from western Oldenburg accounted for only 32.43% of the volume of all gas sales. However, western Oldenburg gas royalties provided approximately 81.05% or $5,408,745 out of a total of $6,673,084 in overall Oldenburg gas royalties.

Gas sales under the OEG Agreement decreased 12.21% to 77.213 Bcf in fiscal 2016 from 87.952 Bcf in fiscal 2015. At least some portion of the decline in overall gas sales is likely a result of EMPG's decision to suspend all drilling activities during 2015-2016. Since the Trust does not receive information about the decision-making process of the operating companies, it is impossible to determine to what extent, if any, which factors may have impacted gas sales. However, according to the Trust's consultant in Germany, it is likely that some portion of the decline in gas production is due to the normal reduction in well pressure that is experienced over time.

Quarterly and Yearly Gas Sales under the OEG Agreement in Billion cubic feet

Fiscal Quarter	2016 Gas Sales	2015 Gas Sales	Percentage Change
First	20.507	23.497	- 12.73%
Second	20.434	23.137	- 11.68%
Third	17.520	22.590	- 22.44%
Fourth	18.752	18.728	+ 0.13%
Fiscal Year Total	77.213	87.952	- 12.21%

Average gas prices for gas sold under the OEG Agreement decreased 29.10% to 1.6264 €cents/kWh in fiscal 2016 from 2.2939 €cents/kWh in fiscal 2015.

Average Gas Prices under the OEG Agreement in Euro cents per Kilowatt Hour

Fiscal Quarter	2016 Gas Prices	2015 Gas Prices	Percentage Change
First	1.9803	2.4808	- 20.17%
Second	1.5282	2.4128	- 36.66%
Third	1.5667	2.0401	- 23.20%
Fourth	1.4025	2.2187	- 36.79%
Fiscal Year Avg.	1.6264	2.2939	- 29.10%

Converting gas prices into more familiar terms, using the average exchange rate, yielded a price of $5.04/Mcf, a 30.86% decrease from fiscal 2015's average price of $7.29/Mcf. For fiscal 2016, royalties paid under the OEG Agreement were converted and transferred at an average Euro/dollar exchange rate of $1.1053, a decrease of 2.11% from the average Euro/dollar exchange rate of $1.1291 for fiscal 2015.

Average Euro Exchange Rate under the OEG Agreement

Fiscal Quarter	2016 Average Euro Exchange Rate	2015 Average Euro Exchange Rate	Percentage Change
First	1.0874	1.1973	- 9.18%
Second	1.1171	1.0830	+ 3.15%
Third	1.1159	1.1159	- 0.00%
Fourth	1.1068	1.1309	- 2.13%
Fiscal Year Avg.	1.1053	1.1291	- 2.11%

Interest income for fiscal 2016 decreased 51.82% to $4,548 as compared to $9,439 for fiscal 2015 reflecting the reduction in royalty receipts. Trust expenses increased 0.61% to $824,367 in fiscal 2016 from $819,341 in fiscal 2015 due to higher legal expenses, both domestic and German, and higher German accounting expenses relating to the amendments to the Mobil and OEG Royalty Agreements.

Results: Fiscal 2015 versus Fiscal 2014

For fiscal 2015, the Trust's gross royalty income decreased 34.53% to $12,390,575 from $18,927,005 in fiscal 2014 continuing to reflect the disruption in the energy market and the uncertainty of the world economy. The decrease in royalty income is due to declines in gas sales, gas prices and average exchange rates under both royalty agreements. The decrease in the amount of royalty income resulted in the lower distributions. The total distribution for fiscal 2015 was $1.27 per unit compared to $1.95 per unit for fiscal 2014. As in prior years, the Trust receives adjustments from the operating companies based on their final calculations of royalties payable during the previous periods. During fiscal 2015 the combination of positive and negative adjustments reduced royalty income by $592,626, the equivalent of $0.0645 per unit. Due to the incorrect allocation in prior years of eastern sulfur sales to royalty calculations under the Mobil Sulfur Agreement, the combination of current year sulfur royalties and the negative adjustment from prior years resulted in a net negative adjustment for fiscal 2015 of $215,348, the equivalent of $0.0234 per unit. During fiscal 2014, the negative adjustments decreased royalty income by $52,676, the equivalent of $0.0057 per unit.

Gas sales under the Mobil Agreement declined 7.84% to 28.729 Bcf in fiscal 2015 from 31.172 Bcf in fiscal 2014. A significant portion of this decline occurred during the fourth fiscal quarter and was likely caused by the partial shutdown of the Grossenkneten desulfurization plant for a six-week period. Since the Trust does not receive information about the decision-making process of the operating companies, it is impossible to determine to what extent, if any, which factors may have impacted gas sales. However, according to the Trust's consultant in Germany, it is likely that some portion of the decline in gas production is due to the normal reduction in well pressure that is experienced over time.

Quarterly and Yearly Gas Sales under the Mobil Agreement in Billion cubic feet

Fiscal Quarter	2015 Gas Sales	2014 Gas Sales	Percentage Change
First	7.876	8.108	- 2.86%
Second	7.642	7.651	- 0.12%
Third	7.382	7.738	- 4.60%
Fourth	5.829	7.675	- 24.05%
Fiscal Year Total	28.729	31.172	- 7.84%

Average prices for gas sold under the Mobil Agreement decreased 10.99% to 2.2162 €cents/kWh in fiscal 2015 from 2.4899 €cents/kWh in fiscal 2014.

Average Gas Prices under the Mobil Agreement in Euro cents per Kilowatt Hour

Fiscal Quarter	2015 Gas Prices	2014 Gas Prices	Percentage Change
First	2.3538	2.7458	- 14.28%
Second	2.3212	2.6635	- 12.85%
Third	2.0017	2.3661	- 15.40%
Fourth	2.1662	2.1709	- 0.22%
Fiscal Year Avg.	2.2162	2.4899	- 10.99%

Converting gas prices into more familiar terms, using the average exchange rate, yielded a price of $7.22/Mcf, a 25.18% decrease from fiscal 2014's average price of $9.65/Mcf. For fiscal 2015, royalties paid under the Mobil Agreement were converted and transferred at an average Euro/dollar exchange rate of $1.1323, a decrease of 16.12% from the average Euro/dollar exchange rate of $1.3499 for fiscal 2014.

Average Euro Exchange Rate under the Mobil Agreement

Fiscal Quarter	2015 Average Euro Exchange Rate	2014 Average Euro Exchange Rate	Percentage Change
First	1.2127	1.3597	- 10.81%
Second	1.0754	1.3776	- 21.94%
Third	1.1113	1.3577	- 18.15%
Fourth	1.1301	1.2944	- 12.69%
Fiscal Year Avg.	1.1323	1.3499	- 16.12%

Excluding the effects of differences in prices and average exchange rates, the combination of royalty rates on gas sold from western Oldenburg results in an effective royalty rate approximately seven times higher than the royalty rate on gas sold from eastern Oldenburg. This is of particular significance to the Trust since gas sold from western Oldenburg provides the bulk of royalties paid to the Trust. For fiscal 2015, the volume of gas sold from western Oldenburg accounted for only 32.66% of the volume of all gas sales. However, western Oldenburg gas royalties provided approximately 79.32% or $9,289,836 out of a total of $11,711,215 in overall Oldenburg gas royalties.

Gas sales under the OEG Agreement decreased 9.47% to 87.952 Bcf in fiscal 2015 from 97.155 Bcf in fiscal 2014. A significant portion of this decline occurred during the fourth fiscal quarter and was likely caused by the partial shutdown of the Grossenkneten desulfurization plant for a six-week period. Since the Trust does not receive information about the decision-making process of the operating companies, it is impossible to determine to what extent, if any, which factors may have impacted gas sales. However, according to the Trust's consultant in Germany, it is likely that some portion of the decline in gas production is due to the normal reduction in well pressure that is experienced over time.

Quarterly and Yearly Gas Sales under the OEG Agreement in Billion cubic feet

Fiscal Quarter	2015 Gas Sales	2014 Gas Sales	Percentage Change
First	23.497	25.467	- 7.74%
Second	23.137	24.355	- 5.00%
Third	22.590	24.194	- 6.63%
Fourth	18.728	23.139	- 19.06%
Fiscal Year Total	87.952	97.155	- 9.47%

Average gas prices for gas sold under the OEG Agreement decreased 10.47% to 2.2939 €cents/kWh in fiscal 2015 from 2.5622 €cents/kWh in fiscal 2014.

Average Gas Prices under the OEG Agreement in Euro cents per Kilowatt Hour

Fiscal Quarter	2015 Gas Prices	2014 Gas Prices	Percentage Change
First	2.4808	2.7962	- 11.28%
Second	2.4128	2.7096	- 10.95%
Third	2.0401	2.4367	- 16.28%
Fourth	2.2187	2.2803	- 2.70%
Fiscal Year Avg.	2.2939	2.5622	- 10.47%

Converting gas prices into more familiar terms, using the average exchange rate, yielded a price of $7.29/Mcf, a 24.85% decrease from fiscal 2014's average price of $9.70/Mcf. For fiscal 2015, royalties paid under the OEG Agreement were converted and transferred at an average Euro/dollar exchange rate of $1.1291, a decrease of 16.41% from the average Euro/dollar exchange rate of $1.3507 for fiscal 2014.

Average Euro Exchange Rate under the OEG Agreement

Fiscal Quarter	2015 Average Euro Exchange Rate	2014 Average Euro Exchange Rate	Percentage Change
First	1.1973	1.3604	- 11.99%
Second	1.0830	1.3774	- 21.37%
Third	1.1159	1.3577	- 17.81%
Fourth	1.1309	1.2891	- 12.27%
Fiscal Year Avg.	1.1291	1.3507	- 16.41%

Interest income for fiscal 2015 decreased 49.59% to $9,439 as compared to $18,724 for fiscal 2014 reflecting the reduction in royalty receipts. Trust expenses decreased 9.08% to $819,341 in fiscal 2015 from $901,150 in fiscal 2014 primarily due to the absence of accounting costs associated with the biennial examination of the royalty calculations by the German operating companies and the reduction in Trustees fees as specified according to the provisions of the Trust Agreement.

Critical Accounting Policies

The financial statements, appearing subsequently in this Report, present financial statement balances and financial results on a modified 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 accounting is an accepted accounting method for royalty trusts such as the Trust. GAAP basis financial statements disclose income as earned and expenses as incurred, without regard to receipts or payments. The use of GAAP would require the Trust to accrue for expected royalty payments. This is exceedingly difficult since the Trust has very limited information on such payments until they are received and cannot accurately project such amounts. The Trust's cash basis financial statements disclose revenue when cash is received and expenses when cash is paid. The one modification of the cash basis of accounting is that the Trust accrues 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 modified cash basis provides a more meaningful presentation to unit owners of the results of operations of the Trust and presents to the unit owners a more accurate calculation of income and expenses for tax reporting purposes.

This Annual Report may contain forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such statements address future expectations and events or conditions concerning 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:

- risks and uncertainties concerning levels of gas production and gas sale prices, general economic conditions and currency exchange rates;
- the ability or willingness of the operating companies to perform under their contractual obligations with the Trust;
- potential disputes with the operating companies and the resolution thereof; and
- the risk factors set forth above under Item 1A of the Trust's Annual Report on Form 10-K for the fiscal year ended October 31, 2016 (the "Trust's Form 10-K").

All such factors are difficult to predict, contain uncertainties that may materially affect actual results, and are generally beyond the control of the Trust. New factors emerge from time to time and it is not possible for the Trust to predict all such factors or to assess the impact of each such factor on the Trust. Any forward-looking statement speaks only as of the date on which such statement is made, and the Trust does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made.

Distributions and Trading

The Trust's units of beneficial interest are listed for trading on the New York Stock Exchange 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. As of November 30, 2016, there were 700 unit owners of record.

The following table presents the high and low closing prices for the quarterly periods ended in fiscal 2016 and 2015 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 2016

Quarter Ended	Low Closing Price	High Closing Price	Distribution per Unit
January 31, 2016	$ 5.89	$ 9.99	$0.16
April 30, 2016	$ 7.53	$ 9.68	$0.24
July 31, 2016	$ 8.15	$ 9.75	$0.15
October 31, 2016	$ 6.99	$ 8.79	$0.12

Fiscal Year 2015

Quarter Ended	Low Closing Price	High Closing Price	Distribution per Unit
January 31, 2015	$11.80	$18.88	$0.35
April 30, 2015	$11.66	$14.71	$0.33
July 31, 2015	$ 8.73	$14.14	$0.36
October 31, 2015	$ 9.29	$11.46	$0.23

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 calculation of this cost depletion percentage is set forth in detail in Attachment B to the Cost Depletion Report attached as Exhibit 99.1 to the Trust’s Form 10-K.

The Cost Depletion Report has been prepared by Davis Associates using the limited information described in Item 2 of the Trust’s Form 10-K to which reference is made. The Trustees believe that the calculations and assumptions used in the Cost Depletion Report are reasonable according to the facts and circumstances of available information. The cost depletion percentage recommended by the Trust's independent petroleum and natural gas consultants for calendar 2016 is 10.2769%. 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 2016 calendar year are included on special removable pages in this 2016 Annual Report. Additionally, the tax reporting information for 2016 is available on the Trust’s website, www.neort.com, in the section marked Tax Letters contained within the Tax Information section.

The Trust does not maintain any compensation plans under which units are authorized for issuance. The Trust did not make any repurchases of Trust units during fiscal 2016, 2015 and 2014 and has never made such repurchases.

Comparison of Five Year Returns

The graph set forth below compares, for the last five years, the cumulative return on Trust Units, the securities in a peer group index, and the S&P 500 Composite Index. Because no published peer group index exists and the Trust has been unable to locate any royalty trusts publicly traded in the U.S. with reserves and sales in Europe, the Trustees have developed a peer group consisting of the following three domestic oil royalty trusts: Mesa Royalty Trust, Sabine Royalty Trust and San Juan Basin Royalty Trust (the "Royalty Peer Group"). The composition of the Royalty Peer Group has been the same since the Trust's proxy statement for its 1993 Annual Meeting of Unit Owners.

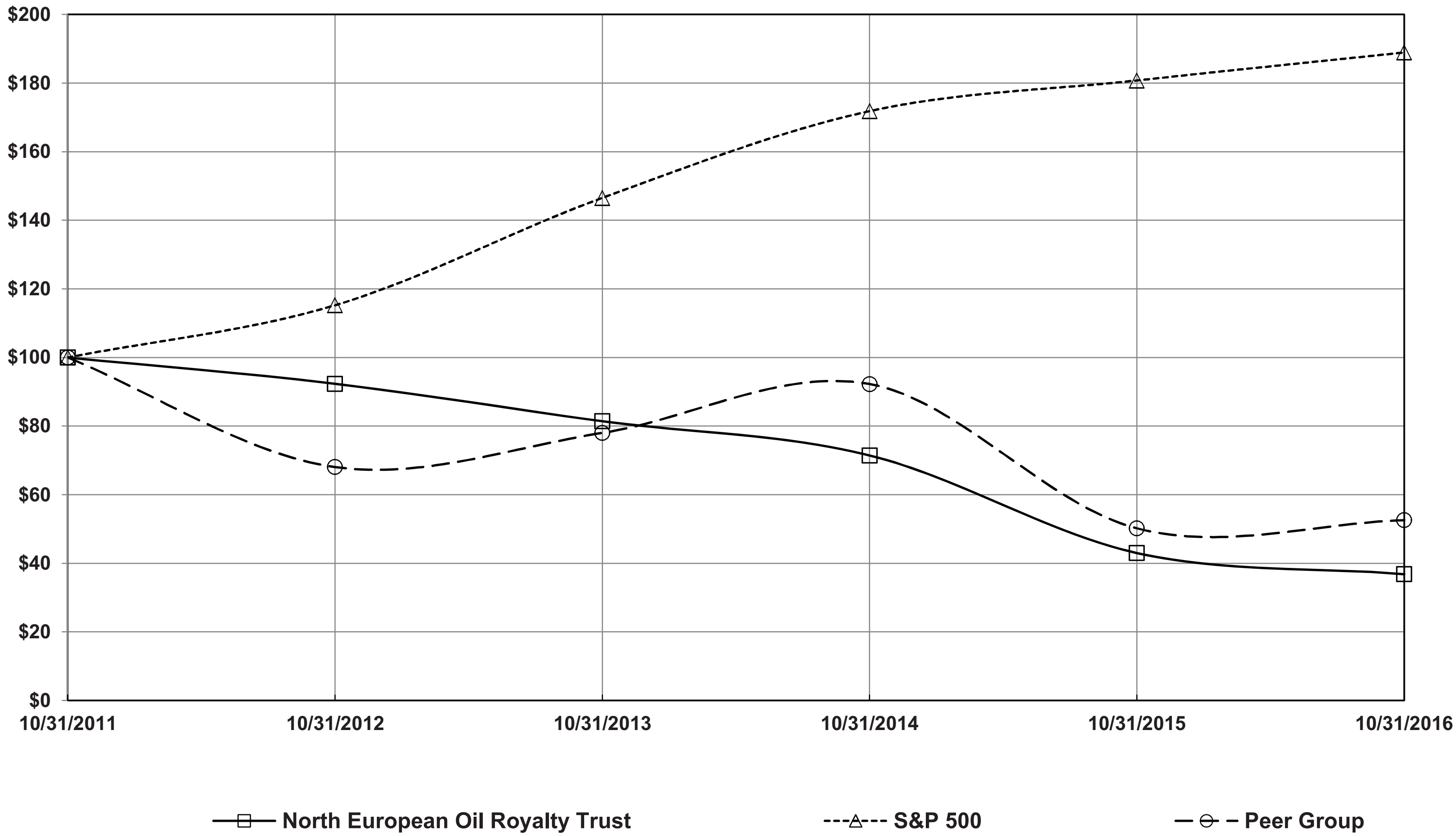
While these three domestic oil royalty trusts appear to be the most comparable for comparison purposes, there are a number of differences between North European Oil Royalty Trust and the Royalty Peer Group. As previously mentioned, the reserves and sales attributed to the royalty trusts comprising the Royalty Peer Group are located in the United States, while the reserves and sales attributed to North European Oil Royalty Trust are located in Germany. There are fundamental differences between the energy markets in the United States and Germany that affect commodity pricing and as a result severely restrict the usefulness of any comparison of their cumulative returns.

In determining the cumulative return on investment, it has been assumed that on October 31, 2011, an equal dollar amount was invested in the Trust Units, in the securities of the trusts of the Royalty Peer Group, and in the S&P 500 Composite Index. The comparisons assume in all cases the reinvestment of all dividends or distributions on the respective payment dates. The cumulative returns shown for the Trust and the Royalty Peer Group do not reflect any differences between the tax treatment of Trust distributions, due to permitted cost depletion, and dividends on securities in the S&P 500 Composite Index.

NORTH EUROPEAN OIL ROYALTY TRUST

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

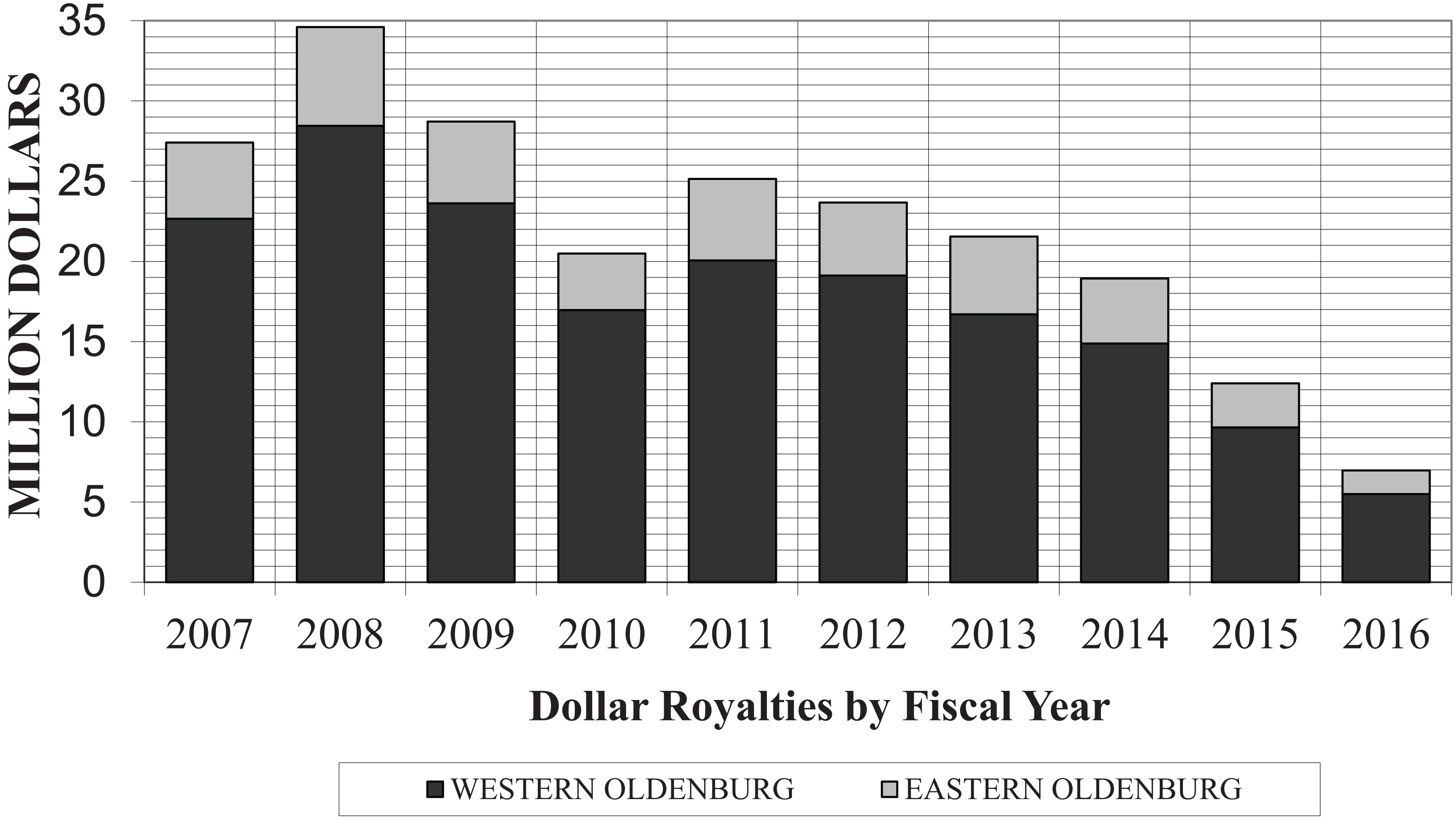
Among North European Oil Royalty Trust, the S&P 500 Index,
and a Peer Group



*$100 invested on 10/31/11 in stock or index, including reinvestment of dividends.
Fiscal year ending October 31.

NORTH EUROPEAN OIL ROYALTY TRUST

DOLLAR ROYALTIES
WESTERN AND EASTERN OLDENBURG



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying statements of assets, liabilities and trust corpus of North European Oil Royalty Trust (the "Trust") as of October 31, 2016 and 2015, and the related statements of revenue collected and expenses paid, undistributed earnings, and changes in cash and cash equivalents for each of the years in the three-year period ended October 31, 2016. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and trust corpus of the Trust as of October 31, 2016 and 2015, its revenue collected and expenses paid, its undistributed earnings, and changes in its cash and cash equivalents for each of the years in the three-year period ended October 31, 2016, on the basis of accounting described in Note 1.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Trust's internal control over financial reporting as of October 31, 2016, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated December 29, 2016 expressed an unqualified opinion.

WeiserMazars LLP

New York, NY
December 29, 2016

NORTH EUROPEAN OIL ROYALTY TRUST

STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS (NOTE 1)
OCTOBER 31, 2016 AND 2015

ASSETS	2016	2015
Current assets — Cash and cash equivalents	$ 1,165,347	$ 2,192,865
Producing gas and oil royalty rights, net of amortization (Notes 1 and 2)	1	1
Total Assets	$ 1,165,348	$ 2,192,866

LIABILITIES AND TRUST CORPUS	2016	2015
Current liabilities — Distributions to be paid to unit owners, paid November 2016 and 2015	$ 1,102,871	$ 2,113,835
Trust corpus (Notes 1 and 2)		
Undistributed earnings	62,476	79,030
Total Liabilities and Trust Corpus	$ 1,165,348	$ 2,192,866

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

NORTH EUROPEAN OIL ROYALTY TRUST

STATEMENTS OF REVENUE COLLECTED AND EXPENSES PAID (NOTE 1)
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2016, 2015, AND 2014

	2016	**2015**	**2014**
Gas, sulfur and oil royalties received	$ 6,960,961	$ 12,390,575	$ 18,927,005
Interest income	4,548	9,439	18.724
Trust Income	6,965,509	12,400,014	18,945,729
Non-related party expenses	(715,404)	(732,209)	(819,004)
Related party expenses (Note 3)	(108,964)	(87,132)	(82,146)
Trust Expenses	(824,368)	(819,341)	(901,150)
Net Income	$ 6,141,141	$ 11,580,673	$ 18,044,549
Net income per unit	$ 0.67	$ 1.26	$ 1.96
Distributions per unit paid or to be paid to unit owners	$ 0.67	$ 1.27	$ 1.95

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

NORTH EUROPEAN OIL ROYALTY TRUST

STATEMENTS OF UNDISTRIBUTED EARNINGS (NOTE 1)
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2016, 2015 AND 2014

	2016	2015	2014
Balance, beginning of year	$ 79,030	$ 170,406	$ 47,477
Net income	6,141,141	11,580,673	18,044,579
	6,220,171	11,751,079	18,092,056
Less:			
Current year distributions paid or to be paid to unit owners	6,157,695	11,672,049	17,921,650
Balance, end of year	$ 62,476	$ 79,030	$ 170,406

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

NORTH EUROPEAN OIL ROYALTY TRUST

STATEMENTS OF CHANGES IN CASH AND CASH EQUIVALENTS (NOTE 1)
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2016, 2015 AND 2014

	2016	2015	2014
Sources of Cash and Cash Equivalents:			
Gas, sulfur and oil royalties received	$ 6,960,961	$ 12,390,575	$ 18,927,005
Interest income	4,548	9,439	18,724
	6,965,509	12,400,014	18,945,729
Uses of Cash and Cash Equivalents:			
Payment of Trust expenses	824,368	819,341	901,150
Distributions paid	7,168,659	13,142,544	19,208,333
	7,993,027	13,961,885	20,109,483
Net increase (decrease) in cash and cash equivalents during the year	(1,027,518)	(1,561,871)	(1,163,754)
Cash and cash equivalents, beginning of year	2,192,865	3,754,736	4,918,490
Cash and cash equivalents, end of year	$ 1,165,347	$ 2,192,865	$ 3,754,736

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

NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016, 2015, AND 2014

(1) Summary of significant accounting policies:

Basis of accounting -

The accompanying financial statements of North European Oil Royalty Trust (the "Trust") are prepared in accordance with the rules and regulations of the SEC. Financial statement balances and financial results are presented on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States ("GAAP basis"). In the opinion of management, all adjustments that are considered necessary for a fair presentation of these financial statements, including adjustments of a normal, recurring nature, have been included.

On a modified cash basis, revenue is earned when cash is received and expenses are incurred when cash is paid. GAAP basis financial statements disclose revenue as earned and expenses as incurred, without regard to receipts or payments. The modified cash basis of accounting is utilized to permit 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 modified cash basis of accounting 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 income taxes under a private letter ruling issued by the Internal Revenue Service. The Trust has no state income tax obligations.

Cash and cash equivalents -

Cash and cash equivalents are defined as amounts deposited in bank accounts and amounts invested in certificates of deposit and U. S. Treasury bills with original maturities generally of three months or less from the date of purchase. The investment options available to the Trust are limited in accordance with specific provisions of the Trust Agreement. As of October 31, 2016, the uninsured amounts held in the Trust's U.S. bank accounts were $906,704. In addition, the Trust held €9,875, the equivalent of $10,820, in its German bank account at October 31, 2016.

Net income per unit -

Net income per unit is based upon the number of units outstanding at the end of the period. As of October 31, 2016, 2015 and 2014, there were 9,190,590 units of beneficial interest outstanding.

New accounting pronouncements -

The Trust is not aware of any recently issued, but not yet effective, accounting standards that would be expected to have a significant impact on the Trust's financial position or results of operations.

(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/Shell Group of Companies. 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) Related party transactions:

John R. Van Kirk, the Managing Director of the Trust, provides office space and services to the Trust at cost. For such office space and services, the Trust reimbursed the Managing Director $28,559, $25,729 and $24,634 in fiscal 2016, 2015 and 2014, respectively.

Lawrence A. Kobrin, a Trustee of the Trust, is a Senior Counsel at Cahill Gordon & Reindel LLP, which serves as counsel to the Trust. For legal services, the Trust paid Cahill Gordon & Reindel LLP $80,405, $61,403 and $57,512 in fiscal 2016, 2015 and 2014, respectively.

(4) Employee benefit plan:

The Trust has established a savings incentive match plan for employees (SIMPLE IRA) that is available to both employees of the Trust, one of whom is the Managing Director. The Trustees authorized the making of contributions by the Trust to the accounts of employees, on a matching basis, of up to 3% of cash compensation paid to each such employee for the 2016, 2015 and 2014 calendar years.

(5) Quarterly results (unaudited):

The tables below summarize the quarterly results and distributions of the Trust for the fiscal years ended October 31, 2016 and 2015**:**

Fiscal 2016 by Quarter and Year

	First	Second	Third	Fourth	Year
Royalties received	$1,832,471	$2,333,670	$1,561,026	$1,233,794	$6,960,961
Net income	$1,573,687	$2,100,364	$1,388,796	$1,078,294	$6,141,141
Net income per unit	$0.17	$0.23	$0.15	$0.12	$0.67
Distributions paid or to be paid	$1,470,494	$2,205,742	$1,378,588	$1,102,871	$6,157,695
Distributions per unit paid or to be paid to unit owners	$0.16	$0.24	$0.15	$0.12	$0.67

Fiscal 2015 by Quarter and Year

	First	Second	Third	Fourth	Year
Royalties received	$3,442,713	$3,238,135	$3,459,645	$2,250,082	$12,390,575
Net income	$3,096,916	$3,074,495	$3,312,307	$2,096,955	$11,580,673
Net income per unit	$0.34	$0.33	$0.36	$0.23	$1.26
Distributions paid or to be paid	$3,216,706	$3,032,895	$3,308,613	$2,113,835	$11,672,049
Distributions per unit paid or to be paid to unit owners	$0.35	$0.33	$0.36	$0.23	$1.27

Disclosure Controls and Procedures

The Trust maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Trust is recorded, processed, summarized, accumulated and communicated to its management, which consists of the Managing Director, to allow timely decisions regarding required disclosure, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. The Managing Director has performed an evaluation of the effectiveness of the design and operation of the Trust's disclosure controls and procedures as of October 31, 2016. Based on that evaluation, the Managing Director concluded that the Trust's disclosure controls and procedures were effective as of October 31, 2016.

Internal Control over Financial Reporting

Part A. Management's Report on Internal Control over Financial Reporting

The Trust's management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) for the Trust. There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time. Management has evaluated the Trust's internal control over financial reporting as of October 31, 2016. This assessment was based on criteria for effective internal control over financial reporting described in the standards promulgated by the Public Company Accounting Oversight Board and in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Trust's internal control over financial reporting was effective as of October 31, 2016. Management's assessment of the effectiveness of our internal control over financial reporting as of October 31, 2016 has been audited by WeiserMazars LLP, the Trust's independent auditor, as stated in their report which follows.

Part B. Attestation Report of Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited North European Oil Royalty Trust's (the "Trust") internal control over financial reporting as of October 31, 2016, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Trust's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Trust's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A trust's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A trust's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the trust; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the trust are being made only in accordance with authorizations of management and trustees of the trust; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the trust's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Trust maintained, in all material respects, effective internal control over financial reporting as of October 31, 2016, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statements of assets, liabilities and trust corpus as of October 31, 2016 and 2015, and the related statements of revenue collected and expenses paid, undistributed earnings and changes in cash and cash equivalents for each of the years in the three-year period ended October 31, 2016 and our report dated December 29, 2016 expressed an unqualified opinion thereon.

WeiserMazars LLP
New York, NY
December 29, 2016

NORTH EUROPEAN OIL ROYALTY TRUST

North European Oil Royalty Trust
P.O. Box 456
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(732) 741-4008

IMPORTANT – 2016 TAX LETTER
RETAIN THIS LETTER FOR PREPARATION OF YOUR 2016 INCOME TAX RETURNS

January 3, 2017

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

There are three parts to the tax letter. PART ONE applies to all unit owners. PART TWO applies to unit owners who have held their units for the entire year. PART THREE applies to unit owners who have held their units for only a portion of the year.

The following is provided to assist current and former unit owners of North European Oil Royalty Trust (the "Trust") to prepare their personal income tax returns for the tax year ended December 31, 2016. This letter serves to assist Owners, and their tax professionals, in determining the accurate and true income from the Trust for income tax reporting purpose. Further, this letter is for informational purposes and neither the Trust nor Trust employees intend, nor may it be construed, for this letter to serve as either legal or tax advice. It is recommended that you seek the advice of your trusted tax professional or attorney should you require further guidance.

TEAR OUT HERE

PART ONE – ALL UNIT OWNERS

To determine your proportional and, therefore, reportable, share of Trust income you must first know how many Trust units you owned during 2016, the periods during which you owned the units, and the cost or tax basis of the units. The information contained in this letter is applicable to those unit owners who held their units for either the entire year or only a portion of the year. Please note that Trust distributions are not dividends and should not be included on your income tax return as dividend income.

The Trust is considered a "grantor trust" for federal income tax purposes and each unit owner is deemed a "grantor" of the Trust. As such, unit owners realize income, in proportion to the owned units, when royalty income is paid to the Trust. Further, unit owners may deduct, from income, a proportional share of Trust expenses. Because realization of proportional Trust income and expenses is a time sensitive inquiry, you should not use the amount of quarterly Trust distributions received for income tax reporting purposes. Additionally, you should disregard the amounts listed on any 2016 Form 1099-Misc you receive from your broker or other nominee. The listed amounts are incomplete because they do not include your proportional share of Trust expenses and/or the cost depletion allowance.

Income and expenses should be reported on Federal Income Tax Form 1040, Schedule E. Royalty income is generally considered portfolio income under the passive loss rules enacted by the Tax Reform Act of 1986. Under Part I, Income or Loss from Rental Real Estate and Royalties, on Line 1a enter property description as "oil and gas overriding royalty rights, Germany through North European Oil Royalty Trust."

NORTH EUROPEAN OIL ROYALTY TRUST

The type of property is royalties. On Federal Income Tax Form 1040, Schedule E, royalty income should be entered on Line 4 and expenses should be entered on Line 19 as "miscellaneous Trust expenses." Some tax preparation computer programs ask for a tax identification number. North European Oil Royalty Trust's tax identification number is 22-2084119.

A unit owner may be entitled to cost depletion for tax reporting purposes. At the outset, in the first year of ownership, the unit owner's cost or tax basis for the units is the basis for computing cost depletion. In each subsequent year, the basis for computing cost depletion is that original cost less the cumulative amount of depletion previously taken.

The Trust retains Ralph E. Davis Associates, LLC, of Houston, Texas, a petroleum engineering company, to calculate the cost depletion percentage each year. The cost depletion percentage is calculated based upon computations of proved producing reserves estimated in accordance with accepted engineering analytical principles. Ralph E. Davis Associates, LLC has recommended an annual cost depletion percentage of **10.2769**% for the 2016 calendar year.

The IRS periodically changes the format for Schedule E (including the line numbers and descriptions), and may do so even after the date of this letter, so please make certain you follow the Form 1040 Schedule E directions carefully and enter the information on the correct lines.

The Trust's royalty income represents income from Germany. Although Germany does not tax the royalty income received by the Trust, 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 2016 to the Internal Revenue Service. This list will contain names, addresses and tax ID or Social Security Numbers. You may wish to attach a copy of this letter to your tax returns.

This letter does not constitute legal or tax advice. Neither the Trust nor its employees may offer tax or legal advice relevant to your unique situation. The Trust recommends that you direct any questions to your tax advisor or attorney.

PART TWO – OWNERSHIP OF UNITS FOR THE ENTIRE YEAR

A. If you owned all your units for the entire year, you would calculate your royalty income by multiplying the number of units you owned by $0.7431. On Federal Income Tax Form 1040, Schedule E, royalty income should be entered on Line 4.

B. If you owned all your units for the entire year, you would calculate your expenses by multiplying the number of units you owned by $0.0950. On Federal Income Tax Form 1040, Schedule E, expenses should be entered on Line 19 as "miscellaneous Trust expenses."

C. **If you owned all your units for the entire year, you would calculate your cost depletion deduction by multiplying your cost basis or adjusted cost basis by .102769.** On the Federal Income Tax Form 1040, Schedule E, your cost depletion deduction should be entered on Line 18.

PART THREE – OWNERSHIP OF UNITS FOR A PARTIAL YEAR

If you owned your units for only a portion of the year, you should use the charts and instructions on the following pages to determine your royalty income, royalty expenses and cost depletion deduction.

NORTH EUROPEAN OIL ROYALTY TRUST

ROYALTY INCOME PER UNIT FOR THE 2016 TAX YEAR												
First month during which units were owned:	Last month during which units were owned:											
	January	February	March	April	May	June	July	August	September	October	November	December
January	$0.0735	$0.1487	$0.2339	$0.3274	$0.3551	$0.4265	$0.4972	$0.5020	$0.5536	$0.6314	$0.6872	$0.7431
February		$0.0752	$0.1604	$0.2539	$0.2816	$0.3530	$0.4237	$0.4285	$0.4801	$0.5579	$0.6137	$0.6696
March			$0.0852	$0.1787	$0.2064	$0.2778	$0.3485	$0.3533	$0.4049	$0.4827	$0.5385	$0.5944
April				$0.0935	$0.1212	$0.1926	$0.2633	$0.2681	$0.3197	$0.3975	$0.4533	$0.5092
May					$0.0277	$0.0991	$0.1698	$0.1746	$0.2262	$0.3040	$0.3598	$0.4157
June						$0.0714	$0.1421	$0.1469	$0.1985	$0.2763	$0.3321	$0.3880
July							$0.0707	$0.0755	$0.1271	$0.2049	$0.2607	$0.3166
August								$0.0048	$0.0564	$0.1342	$0.1900	$0.2459
September									$0.0516	$0.1294	$0.1852	$0.2411
October										$0.0778	$0.1336	$0.1895
November											$0.0558	$0.1117
December												$0.0559

A. To determine your royalty income per unit for your period of ownership, place your finger on the chart above on the first month in the left hand column during which you owned your units and slide your finger to the right until you reach the column showing the last month during which you owned your units. This figure should be multiplied by the number of units you owned during that period to calculate your royalty income. On Federal Income Tax Form 1040, Schedule E, royalty income should be entered on Line 4.

ROYALTY EXPENSES PER UNIT FOR THE 2016 TAX YEAR												
First month during which units were owned:	Last month during which units were owned:											
	January	February	March	April	May	June	July	August	September	October	November	December
January	$0.0120	$0.0275	$0.0323	$0.0375	$0.0476	$0.0563	$0.0570	$0.0641	$0.0680	$0.0733	$0.0811	$0.0950
February		$0.0155	$0.0203	$0.0255	$0.0356	$0.0443	$0.0338	$0.0521	$0.0560	$0.0613	$0.0691	$0.0830
March			$0.0048	$0.0100	$0.0201	$0.0233	$0.0288	$0.0366	$0.0405	$0.0458	$0.0536	$0.0675
April				$0.0052	$0.0153	$0.0185	$0.0240	$0.0318	$0.0357	$0.0410	$0.0488	$0.0627
May					$0.0101	$0.0133	$0.0188	$0.0266	$0.0305	$0.0358	$0.0436	$0.0575
June						$0.0032	$0.0087	$0.0165	$0.0204	$0.0257	$0.0335	$0.0474
July							$0.0055	$0.0133	$0.0172	$0.0225	$0.0303	$0.0442
August								$0.0078	$0.0117	$0.0170	$0.0248	$0.0387
September									$0.0039	$0.0092	$0.0170	$0.0309
October										$0.0053	$0.0131	$0.0270
November											$0.0078	$0.0217
December												$0.0139

B. To determine your royalty expenses per unit for your period of ownership, place your finger on the chart above on the first month in the left hand column during which you owned your units and slide your finger to the right until you reach the column showing the last month during which you owned your units. This figure should be multiplied by the number of units you owned during that period to calculate your expenses. On Federal Income Tax Form 1040, Schedule E, expenses should be entered on Line 19 as "miscellaneous Trust expenses."

C. If you owned your units for only a portion of the year you must prorate the depletion percentage to reflect your period of ownership. In the same way that you calculated your royalty income per unit, place your finger on the Royalty Income per Unit Chart on the first month in the left hand column during which you owned your units and slide your finger to the right until you reach the column showing the last month during which you owned your units. This figure should be divided by \$0.7431. The resulting figure is then multiplied by .102769 to yield the prorated depletion percentage. Multiply this prorated depletion percentage by your cost basis or adjusted cost basis to calculate your cost depletion deduction. Your cost depletion deduction should be entered on Line 18 on the Federal Income Tax Form 1040, Schedule E.

This letter does not constitute legal or tax advice. Neither the Trust nor its employees may offer tax or legal advice relevant to your unique situation. If you dispose of some or all of your Trust units, you should consult your tax advisor as to the tax consequence of that disposition. The Trust recommends that you direct any questions to your tax advisor or attorney.

Most sincerely yours,

John R. Van Kirk
Managing Director

NORTH EUROPEAN OIL ROYALTY TRUST

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A copy of the Trust's Form 10-K Annual Report for fiscal 2016 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. In addition to the 2016 10-K, other pertinent filings and documents are available at the Trust's website, www.neort.com