EUROPEAN EQUITY FUND, INC / MD
Form N-CSR
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM N-CSR

Investment Company Act file number: 811-04632

The European Equity Fund, Inc.

(Exact Name of Registrant as Specified in Charter)

345 Park Avenue

New York, NY 10154-0004

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: (212) 250-3220

Paul Schubert

60 Wall Street

New York, NY 10005

(Name and Address of Agent for Service)

Date of fiscal year end: 12/31

Date of reporting period: 12/31/2015

ITEM 1. REPORT TO STOCKHOLDERS

December 31, 2015

Annual Report
to Shareholders

The European Equity Fund, Inc.

Ticker Symbol: EEA

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The Fund seeks long-term capital appreciation primarily through investment in European equities.

Investments in funds involve risks, including the loss of principal.

The shares of most closed-end funds, including the Fund, are not continuously offered. Once issued, shares of closed-end funds are bought and sold in the open market. Shares of closed-end funds frequently trade at a discount to net asset value. The price of the Fund's shares is determined by a number of factors, several of which are beyond the control of the Fund. Therefore, the Fund cannot predict whether its shares will trade at, below or above net asset value.

This Fund is diversified and primarily focuses its investments in equity securities of issuers domiciled in countries that are members of the European Union, thereby increasing its vulnerability to developments in that region. Investing in foreign securities presents certain risks, such as currency fluctuations, political and economic changes, and market risks. Any fund that concentrates in a particular segment of the market will generally be more volatile than a fund that invests more broadly.

The European Union, the United States and other countries have imposed sanctions on Russia as a result of the Russian military intervention in Ukraine. These sanctions have adversely affected Russian individuals, issuers and the Russian economy, and Russia, in turn, has imposed sanctions targeting Western individuals, businesses and products including food products. The various sanctions have adversely affected, and may continue to adversely affect, not only the Russian economy but also the economies of many countries in Europe. Potential developments in Ukraine, and the continuation of current sanctions or the imposition of additional sanctions may materially adversely affect the value of the Fund’s portfolio.

Deutsche Asset Management represents the asset management activities conducted by Deutsche Bank AG or any of its subsidiaries.

NOT FDIC/NCUA INSURED NO BANK GUARANTEE MAY LOSE VALUE NOT A DEPOSIT NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

Letter to the Shareholders (Unaudited)

Dear Shareholder,

For the year 2015, the European Equity Fund, Inc.'s total return in U.S. dollars (USD) was –1.65% based on net asset value and –0.03% based on market price. During the same period, the total return of the Fund's benchmark, the MSCI Europe Index, was –2.84%[1]. The Fund's discount to net asset value averaged 10.60% for the year 2015, compared with 10.31% for the year 2014.

European stock markets had a positive year in local currency terms. In euro terms, the MSCI Europe Index had a total return of 8.2% and the Fund's net asset value had a 9.3% return. The euro depreciated by over 10% versus the U.S. dollar.

Lead economic indicators improved in Europe throughout the year. PMIs and the German IFO index advanced further, with the Eurozone PMI reaching a new high for the year at 54.3 and the IFO at 109.[2,3] Consumer confidence was also up for the Eurozone as a whole. The spillover from low oil prices had a delayed positive effect on consumption. Eurozone gross domestic product (GDP) gradually moved away from the zero-growth line, reaching +1.5% towards year-end, with Germany and Spain delivering the highest growth while France improved in the second half of the year. Finally, overall credit development continues to improve.

The two key regions for European exporters, North America and China, showed diverging trends in 2015. In terms of growth, China was a key driver over the last few years, but showed a considerable slowdown this year. The surprising devaluation of their currency, the renminbi, versus the U.S. dollar in August caused a considerable correction of

Chinese equity markets with repercussions for equity markets worldwide. Conversely, the U.S. economy stayed on a steady GDP growth path of between +2% and +3%, despite the negative effect of low oil prices on the energy and cyclical industrial sectors.

Global liquidity conditions and the monetary policy of the European Central Bank provided a supportive framework for equities: quantitative easing was announced in February, and in December 2015 was extended until March 2017. The much anticipated U.S. Federal Reserve Board (the Fed) interest rate hike of 0.25% in December 2015 played only a minor role for global equity markets, as the Fed stressed that further tightening would be gradual.

Bottom-up support for the markets came from two fronts. Q3 earnings came in better than had been feared after the cyclical meltdown of that quarter. Industrials, energy and materials largely disappointed, but consumer staples, health care and technology showed above-average positive surprises. Sector performance diverged strongly, with energy and materials suffering double-digit losses (–13% and –11%, respectively), while three sectors had double-digit gains: consumer staples +17%, technology +14% and health care +13%, respectively. Besides earnings, brisk merger and acquisition activity was supportive. Overall for 2015, European markets delivered another successful year for equities.

In terms of performance, the portfolio again outperformed its benchmark, driven by a significantly positive contribution from stock selection. Many of our quality growth stocks, such as Chr. Hansen A/S, GrandVision, Lonza Group Ltd., Societe BIC and Partners Group Holding, performed very well. The allocation contribution was negative due to our temporary market hedge and cash holdings. However, this again lowered the volatility of the portfolio, an important goal of our more defensive Stability strategy.

The portfolio positioning of maintaining a stable core of quality growth stocks worked well. We added some more cyclical value stocks when a cyclical recovery looked likely in Q1 and after the summer's market correction in Q4. When adding such riskier stocks, we look for growth that to a high degree is dependent on a company's own efforts and not on factors beyond management's control. The financial sector weight of the portfolio increased as a result of adding stocks in domestic retail banking (Lloyds) and private equity (Partners Group).

In addition, we generally hedge equity market risk whenever the portfolio of equities has above-average market risk, and our short-term market outlook is negative. The goal is to reduce potential losses and deliver more stable returns. On average in 2015, the hedges reduced the Fund's return, but also reduced the volatility of returns.

Ten Largest Equity Holdings at December 31, 2015 (30.4% of Net Assets)	**Country**	**Percent**
1. AXA SA	France	**3.2%**
2. Unilever NV	Netherlands	**3.1%**
3. Komercni banka as	Czech Republic	**3.1%**
4. Partners Group Holding AG	Switzerland	**3.1%**
5. Essilor International SA	France	**3.1%**
6. BNP Paribas SA	France	**3.0%**
7. Reckitt Benckiser Group PLC	United Kingdom	**3.0%**
8. Allianz SE	Germany	**3.0%**
9. GrandVision NV	Netherlands	**2.9%**
10. Lonza Group AG	Switzerland	**2.9%**

Portfolio holdings and characteristics are subject to change and not indicative of future portfolio composition.

For more details about the Fund's Schedule of Investments, see page 10. For additional information about the Fund, including performance, dividends, presentations, press releases, market updates, daily NAV and shareholder reports, please visit deutschefunds.com.

Economic Outlook

While further large gains from equities globally seem more challenging in 2016, there are a number of factors supporting European equities. On the macro side, early indicators are continuing to improve for most European economies, and the windfall for consumers from lower oil prices is even larger after the latest drop. Unlike the U.S., monetary policy in the European Union (EU) is still in expansionary mode with an increasing quantitative easing program.

There exist a number of potential risks, such as further deterioration of China's economy and political risks including further Middle East conflicts, the continuation of the refugee crisis and an impasse in EU reforms. Similarly to the U.S., Europe continues to face some unsolved structural issues. There is only a slow political path to solve the growing liabilities of social welfare in the face of negative demographics in most European countries. Levels of indebtedness continue to be excessive. A good portion of these negative factors seem discounted by the pessimistic sentiment of investors at the start of 2016. With investors' cash balances high and rates near zero, the pressure to invest into equities is high and dividend yields exceed corporate bond yields.

From the bottom-up view, profit margins are still below long-term historical levels. We may see a catch-up effect to the U.S., where margins are at their peaks. In addition, valuations in Europe are not excessive and considerably lower than in the U.S. Finally, we believe the market will continue to be supported by merger and acquisition activity and cash return to shareholders through both dividends and buybacks.

Sincerely,

Christian Strenger Chairman	Gerd Kirsten Portfolio Manager	Brian Binder President and Chief Executive Officer

The views expressed in the preceding discussion reflect those of the portfolio management team generally through the end of the period of the report as stated on the cover. The management team's views are subject to change at any time based on market and other conditions and should not be construed as recommendations. Past performance is no guarantee of future results. Current and future portfolio holdings are subject to risk.

[1] The MSCI Europe Index tracks the performance of 16 developed markets in Europe. MSCI indices are calculated using closing local market prices and translate into U.S. dollars using the London close foreign exchange rates.

[2] The German Manufacturing Purchasing Managers' Index (PMI) measures the activity level of purchasing managers in the manufacturing sector, including production levels, new orders from customers, supplier deliveries, inventories and employment levels.

[3] The IFO Business Climate Index is a monthly survey that measures the business climate in Germany.

Outlook Interview with the Portfolio Manager (Unaudited)

Portfolio Manager

Gerd Kirsten

Question: Can you specify how large the valuation gap of European equities is to the U.S.?

Answer: Using the MSCI Europe Index for Europe and the Standard & Poor's 500® (S&P 500) Index for the U.S., the advantage on a 12-month forward price-to-earnings ratio is 14.2 vs. 15.7; the current dividend yield is 3.8% vs. 2.3%; the current price-to-book ratio is 1.5 vs. 2.6; and the current enterprise value-sales ratio is 1.4 to 2.1 (Source:

Bloomberg, as of January 12, 2016).[1,2,3] This equals an average 31% discount of European equities.

Question: What sectors and companies will benefit from the drop in oil prices?

Answer: The foremost beneficiaries are companies with products that depend on consumer discretionary spending. Here the range is wide, from telecommunications companies selling higher-priced subscriptions (e.g., Telefonica Deutschland), retailers selling affordable luxury (e.g., Dufry), airlines with strongly expanding margins (e.g., EasyJet), to bigger-ticket items such as automobiles (e.g., Daimler). Companies with large costs in oil as a raw material, such as industrials and chemicals, need to be judged carefully. In many cases, there is a passthrough to the price of end products.

Question: What type of structural growth do you find in Europe?

Answer: This is very company-specific and fortunately there are many stocks to choose from. Due to demographics and rising living standards, health care continues on a solid growth path. For example, we own a key supplier of niche chemicals for drugs (Lonza Group Ltd., Switzerland) and the world's largest manufacturer of lenses for eyewear (Essilor International, France). The consumer staples sector also offers some growth niches. Chr. Hansen A/S, Denmark, is one of only two global suppliers of cultures for cheese and yoghurt as well as all-natural flavors. Another example is Société BIC, France, which sells affordable quality shavers, pens and lighters all over the world. Management has a track record of penetrating more and more countries, irrespective of the so-called emerging market crisis.

[1] The S&P 500 Index tracks the performance of 500 leading U.S. stocks and is widely considered representative of the U.S. equity market.

Index returns do not reflect fees or expenses and it is not possible to invest directly into an index.

[2] Price-to-earnings ratio (P/E) ratio compares a company's current share price to its per-share earnings.

[3] Price-to-book (P/B) ratio compares a stock's market value with its book value.

Performance Summary December 31, 2015 (Unaudited)

All performance shown is historical, assumes reinvestment of all dividend and capital gain distributions, and does not guarantee future results. Investment return and principal value fluctuate with changing market conditions so that, when sold, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit deutschefunds.com for The European Equity Fund, Inc.'s (the "Fund") most recent performance.

Fund specific data and performance are provided for information purposes only and are not intended for trading purposes.

Average Annual Total Returns as of 12/31/15

	1-Year	**5-Year**	**10-Year**
Net Asset Value[a]	**(1.65)%**	**3.44%**	**2.11%**
Market Price[a]	**(0.03)%**	**2.78%**	**2.22%**
MSCI Europe Index[b]	(2.84)%	3.88%	3.36%

[a] Total return based on net asset value reflects changes in the Fund's net asset value during each period. Total return based on market value reflects changes in market value during each period. Each figure includes reinvestments of income and capital gain distributions, if any. Total returns based on net asset value and market price will differ depending upon the level of any discount from or premium to net asset value at which the Fund's shares trade during

the period. Expenses of the Fund include investment advisory and administration fees and other fund expenses. Total returns shown take into account these fees and expenses. The annualized expense ratio of the Fund for the year ended December 31, 2015 was 1.60%.

[b] The MSCI Europe Index tracks the performance of 16 developed markets in Europe. MSCI indices are calculated using closing local market prices and translate into U.S. dollars using the London close foreign exchange rates.

Index returns do not reflect any fees or expenses and it is not possible to invest directly in the MSCI Europe Index.

The Fund's benchmark was changed as of July 1, 2014 from the MSCI EMU Index to the MSCI Europe Index as a result of the Fund changing its investment policy.

Net Asset Value and Market Price

	As of 12/31/15	**As of 12/31/14**
Net Asset Value	$ 8.98	$ 9.32
Market Price	$ 8.06	$ 8.23

Prices and Net Asset Value fluctuate and are not guaranteed.

Distribution Information

	Per Share
Twelve Months as of 12/31/15:	
	$ .17
Income	
Capital Gains	$ —

Distributions are historical, not guaranteed and will fluctuate. Distributions do not include return of capital or other non-income sources.

Schedule of Investments as of December 31, 2015

	Shares	**Value ($)**
Common Stocks 99.3%		
Germany 19.8%		
Automobiles 2.4%		
Daimler AG (Registered)	22,000	**1,852,347**
Chemicals 4.4%		
Evonik Industries AG	58,000	1,927,135
Wacker Chemie AG	18,000	1,514,384
		3,441,519
Construction & Engineering 2.2%		
HOCHTIEF AG	18,000	**1,677,505**
Diversified Telecommunication Services 2.3%		
Telefonica Deutschland Holding AG	342,000	**1,815,405**
Insurance 3.0%		
Allianz SE (Registered)	13,000	**2,307,510**
Pharmaceuticals 2.9%		
Merck KGaA	23,000	**2,235,837**
Software 2.6%		
SAP SE	25,000	**1,990,983**
Total Germany (Cost $15,490,643)		**15,321,106**

France 16.7%		
Banks 3.0%		
BNP Paribas SA	41,000	**2,324,094**
Commercial Services & Supplies 2.1%		
Societe BIC SA	10,000	**1,645,857**
Diversified Telecommunication Services 2.0%		
Orange SA	90,000	**1,512,528**
Health Care Equipment & Supplies 3.1%		
Essilor International SA	19,000	**2,372,412**
Insurance 3.2%		
AXA SA	92,000	**2,519,155**
Media 3.3%		
Lagardere SCA	58,000	1,731,683
Vivendi SA	38,000	819,054
		2,550,737
Total France (Cost $11,093,443)		**12,924,783**
United Kingdom 16.1%		
Airlines 2.1%		
easyJet PLC	63,000	**1,615,031**
Banks 2.8%		
Lloyds Banking Group PLC	2,000,000	**2,153,081**
Household Products 3.0%		
Reckitt Benckiser Group PLC	25,000	**2,313,449**
Media 2.4%		
ITV PLC	470,000	**1,915,320**
Oil, Gas & Consumable Fuels 2.9%		
BG Group PLC	154,000	**2,234,849**
Wireless Telecommunication Services 2.9%		
Vodafone Group PLC	687,000	**2,236,867**
Total United Kingdom (Cost $12,726,599)		**12,468,597**
Switzerland 14.9%		
Biotechnology 2.2%		
Actelion Ltd. (Registered)*	12,000	**1,672,023**
Capital Markets 3.1%		
Partners Group Holding AG	6,600	**2,379,728**
Chemicals 2.5%		
Syngenta AG (Registered)	5,000	**1,957,780**
Life Sciences Tools & Services 3.0%		
Lonza Group AG (Registered)*	14,000	**2,279,070**
Marine 2.1%		
Kuehne + Nagel International AG (Registered)	12,000	**1,650,464**
Specialty Retail 2.0%		
Dufry AG (Registered)*	13,000	**1,557,042**
Total Switzerland (Cost $11,173,929)		**11,496,107**
Netherlands 10.5%		
Banks 2.3%		
ING Groep NV (CVA)	133,000	**1,797,094**
Personal Products 3.2%		

Unilever NV (CVA)	56,000	**2,437,454**
Semiconductors & Semiconductor Equipment 2.1%		
ASML Holding NV	18,000	**1,612,647**
Specialty Retail 2.9%		
GrandVision NV 144A	76,000	**2,281,474**
Total Netherlands (Cost $7,869,617)		**8,128,669**
Spain 5.7%		
Construction & Engineering 2.9%		
Ferrovial SA	100,000	**2,263,393**
Electric Utilities 2.8%		
Red Electrica Corp SA	26,000	**2,175,875**
Total Spain (Cost $4,028,599)		**4,439,268**
Sweden 4.4%		
Household Products 2.4%		
Svenska Cellulosa AB SCA "B"	65,000	**1,898,491**
Machinery 2.0%		
SKF AB "B"	94,000	**1,528,129**
Total Sweden (Cost $3,256,491)		**3,426,620**
Denmark 4.1%		
Chemicals 2.1%		
Chr Hansen Holding A/S	26,000	**1,632,397**
Marine 2.0%		
AP Moeller — Maersk A/S "B"	1,200	**1,566,341**
Total Denmark (Cost $3,100,663)		**3,198,738**
Czech Republic 3.1%		
Banks		
Komercni banka as (Cost $2,646,714)	12,000	**2,384,106**
Belgium 2.4%		
Banks		
KBC Groep NV (Cost $1,624,222)	30,000	**1,877,678**
Norway 1.6%		
Diversified Telecommunication Services		
Telenor ASA (Cost $1,764,518)	75,000	**1,253,762**
Total Common Stocks 99.3% (Cost $74,775,438)		**76,919,434**
Cash Equivalents 0.6%		
Central Cash Management Fund, 0.25% (Cost $501,038) (a)	501,038	**501,038**

	% of Net Assets	**Value ($)**
Total Investment Portfolio (Cost $75,276,476)**	99.9	**77,420,472**
Other Assets and Liabilities, Net	0.1	**113,857**
Net Assets	100.0	**77,534,329**

* Non-income producing security.

** The cost for federal income tax purposes was $75,294,635. At December 31, 2015, net unrealized appreciation for all securities based on tax cost was $2,125,837. This consisted of aggregate gross unrealized appreciation for all securities in which there was an excess of value over tax cost of $9,630,487 and aggregate gross unrealized depreciation for all securities in which there was an excess of tax cost over value of $7,504,650.

(a) Affiliated fund managed by Deutsche Investment Management Americas Inc. The rate shown is the annualized seven-day yield at period end.

144A: Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

CVA: Certificaten Van Aandelen (Certificate of Stock).

For purposes of its industry concentration policy, the Fund classifies issuers of portfolio securities at the industry sub-group level. Certain of the categories in the above Schedule of Investments consist of multiple industry sub-groups or industries.

Fair Value Measurements

Various inputs are used in determining the value of the Fund’s investments. These inputs are summarized in three broad levels. Level 1 includes quoted prices in active markets for identical securities. Level 2 includes other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds and credit risk). Level 3 includes significant unobservable inputs (including the Fund’s own assumptions in determining the fair value of investments). The level assigned to the securities valuations may not be an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2015 in valuing the Fund’s investments.

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Common Stocks (b)				
Germany	$ 15,321,106	$ —	$ —	$ 15,321,106
France	12,924,783	—	—	12,924,783
United Kingdom	12,468,597	—	—	12,468,597
Switzerland	11,496,107	—	—	11,496,107
Netherlands	8,128,669	—	—	8,128,669
Spain	4,439,268	—	—	4,439,268
Sweden	3,426,620	—	—	3,426,620
Denmark	3,198,738			