

WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.  
Form N-CSRS  
February 08, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-7686

Western Asset Emerging Markets Income Fund II Inc.  
(Exact name of registrant as specified in charter)

125 Broad Street, New York, NY  
(Address of principal executive offices)

10004  
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

300 First Stamford Place

Stamford, CT 06902  
(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 451-2010

Date of fiscal year May 31  
end:

Date of reporting period: November 30, 2006

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ITEM 1. REPORT TO STOCKHOLDERS.

The **Semi-Annual** Report to Stockholders is filed herewith.

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**Western Asset  
Emerging Markets  
Income Fund II Inc.**

**SEMI-ANNUAL  
REPORT**

**NOVEMBER 30, 2006**

**INVESTMENT PRODUCTS: NOT FDIC INSURED NO BANK GUARANTEE MAY LOSE  
VALUE**

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**Western Asset  
Emerging Markets  
Income Fund II Inc.**

Semi-Annual Report November 30, 2006

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**Letter from the Chairman**

Dear Shareholder,

The U.S. economy took a step backwards and growth slowed during the six-month reporting period. After gross domestic product (GDP) increased a modest 1.7% in the last three months of 2005, the economy rebounded sharply in the first quarter of 2006. During this time, GDP rose 5.6%, its highest reading since the third quarter of 2003. In the second quarter of 2006, GDP growth was 2.6% according to the U.S. Commerce Department, and the final estimate for third quarter GDP growth was 2.0%.

**R. JAY GERKEN, CFA**

Chairman, President and  
Chief Executive Officer

After increasing the federal funds rate<sup>ii</sup> to 5.25% in June its 17th consecutive rate hike the Federal Reserve Board (Fed) paused from raising rates at its next four meetings. In its statement accompanying the December meeting, the Fed stated,

Economic growth has slowed over the course of the year, partly reflecting a substantial cooling of the housing market. Although recent indicators have been mixed, the economy seems likely to expand at a moderate pace on balance over coming quarters. The Fed's next meeting is at the end of January and we believe any further rate movements will likely be data dependent.

After a prolonged period of rising interest rates, both short- and long-term yields declined over the reporting period. After peaking in late June when two- and 10-year Treasuries hit 5.29% and 5.25%, respectively rates fell sharply as the Fed paused from its tightening cycle. In addition, inflationary pressures eased as oil prices fell after reaching a record high in mid-July. Overall, during the six months ended November 30, 2006, two-year Treasury yields fell from 5.04% to 4.62%. Over the same period, 10-year Treasury yields declined from 5.12% to 4.46%. Looking at the six-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index<sup>iv</sup>, returned 5.93%.

Western Asset Emerging Markets Income Fund II Inc. I

Strong corporate profits and low default rates helped high yield bonds generate positive returns during the reporting period. While there were some high profile company specific issues, they were not enough to drag down the overall high yield market. During the six-month period ended November 30, 2006, the Citigroup High Yield Market Index<sup>v</sup> returned 6.98%.

Despite periods of weakness, emerging markets debt generated positive results over the six-month period, as the JPMorgan Emerging Markets Bond Index Global (EMBI Global<sup>i</sup>) returned 9.90%. An expanding global economy, solid domestic spending and a pause in U.S. interest rate hikes supported many emerging market countries.

**Performance Review**

For the six months ended November 30, 2006, Western Asset Emerging Markets Income Fund II Inc. returned 9.18% based on its net asset value (NAV<sup>ii</sup>) and 9.42% based on its New York Stock Exchange (NYSE) market price per share. In comparison, the Fund's unmanaged benchmarks, the EMBI Global and the JPMorgan Emerging Markets Bond Index Plus (EMBI Plus<sup>iii</sup>) returned 9.90% and 10.57% respectively, for the same time frame. The Lipper Emerging Markets Debt Closed-End Funds Category Average<sup>ix</sup> increased 9.30%. Please note that Lipper performance returns are based on each fund's NAV per share.

During the six-month period, the Fund made distributions to shareholders totaling \$0.52 per share, (which may have included a return of capital). The performance table shows the Fund's six-month total return based on its NAV and market price as of November 30, 2006. **Past performance is no guarantee of future results.**

**Performance Snapshot as of November 30, 2006 (unaudited)**

<b>Price Per Share</b>	<b>6-Month</b>
<b>\$15.10 (NAV)</b>	<b>Total Return</b>
<b>\$13.20 (Market Price)</b>	<b>9.18%</b>
	<b>9.42%</b>

**All figures represent past performance and are not a guarantee of future results.**

Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all distributions, including returns of capital, if any, in additional shares.

### **Special Shareholder Notices**

Effective August 1, 2006, Legg Mason Partners Fund Advisor, LLC ( LMPFA ) became the investment manager of the Fund and Western Asset Management Company ( Western Asset ) became subadviser for the Fund, under a new sub-advisory agreement between LMPFA and Western Asset. LMPFA and Western Asset are wholly-owned subsidiaries of Legg Mason, Inc. The portfolio managers who are responsible for the day-to-day management of the Fund remained the same immediately prior to and immediately after the date of these changes. LMPFA provides administrative and certain oversight services to the Fund. LMPFA has delegated to the subadviser the day-to-day portfolio management of the Fund. The management fee for the Fund remains unchanged.

Effective November 30, 2006, Western Asset Management Company Limited ( Western Asset Limited ) became an additional subadviser to the Fund, under an additional sub-advisory agreement between Western Asset and Western Asset Limited. Western Asset Limited provides certain advisory services to the Fund relating to currency transactions and investments in non-dollar denominated securities. Western Asset Limited has offices at 10 Exchange Place, London, England. Western Asset Limited acts as an investment adviser to institutional accounts, such as corporate pension plans, mutual funds and endowment funds.

Prior to October 9, 2006, the Fund was known as Salomon Brothers Emerging Markets Income Fund II Inc.

### **Information About Your Fund**

As you may be aware, several issues in the mutual fund industry (not directly affecting closed-end investment companies, such as this Fund) have come under the scrutiny of federal and state regulators. Affiliates of the Fund's manager have, in recent years, received requests for information from various government regulators regarding market timing, late trading, fees, and other mutual fund issues in connection with various investigations. The regulators appear to be examining, among other things, the open-end funds' response to market timing and shareholder exchange

activity, including compliance with prospectus disclosure related to these subjects. The Fund is not in a position to predict the outcome of these requests and investigations, or whether these may affect the Fund.

Important information with regard to recent regulatory developments that may affect the Fund is contained in the Notes to Financial Statements included in this report.

**Looking for Additional Information?**

The Fund is traded under the symbol **EDF** and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under symbol **XEDFX** on most financial websites. *Barron's* and *The Wall Street Journal's* Monday edition both carry closed-end fund tables that provide additional information. In addition, the Fund issues a quarterly press release that can be found on most major financial websites as well as [www.leggmason.com/InvestorServices](http://www.leggmason.com/InvestorServices).

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 6:00 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

As always, thank you for your confidence in our stewardship of your assets. We look forward to helping you meet your financial goals.

Sincerely,

R. Jay Gerken, CFA  
Chairman, President and Chief Executive Officer

*December 22, 2006*



The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole.

**RISKS:** Foreign bonds are subject to certain risks of overseas investing including currency fluctuations and changes in political and economic conditions, which could result in significant market fluctuations. These risks are magnified in emerging or developing markets. High yield bonds are subject to additional risks such as increased risk of default and greater volatility because of the lower credit quality of the issues. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance. Leverage may magnify gains and increase losses in the Fund's portfolio. Please see the Fund's prospectus for more information on these and other risks.

All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

- i Gross domestic product is a market value of goods and services produced by labor and property in a given country.
- ii The federal funds rate is the interest rate that banks with excess reserves at a Federal Reserve district bank charge other banks that need overnight loans.
- iii The Federal Reserve Board is responsible for the formulation of a policy designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- iv The Lehman Brothers U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.
- v The Citigroup High Yield Market Index is a broad-based unmanaged index of high yield securities.
- vi JPMorgan Emerging Markets Bond Index Global (EMBI Global) tracks total returns for U.S. dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds, and local market instruments. Countries covered are Algeria, Argentina, Brazil, Bulgaria, Chile, China, Colombia, Cote d'Ivoire, Croatia, Ecuador, Greece, Hungary, Lebanon, Malaysia, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Thailand, Turkey and Venezuela.
- vii NAV is calculated by subtracting total liabilities from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is at the Fund's market price as determined by supply of and demand for the Fund's shares.
- viii The JPMorgan Emerging Markets Bond Index Plus is a total return index that tracks the traded market for U.S. dollar-denominated Brady and other similar sovereign restructured bonds traded in the emerging markets.
- ix Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the six-month period ended November 30, 2006, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 57 funds in the Fund's Lipper category.

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**Fund at a Glance (unaudited)**

**Investment Breakdown**

**As a Percent of Total Investments**



## Schedule of Investments (November 30, 2006) (unaudited)

## WESTERN ASSET EMERGING MARKETS INCOME FUND II INC.

Face Amount	Security	Value
<b>SOVEREIGN BONDS 69.0%</b>		
<b>Argentina 4.2%</b>		
	Republic of Argentina:	
2,000,000DEM	10.250% due 2/6/03 (a)	\$ 435,614
1,000,000DEM	9.000% due 9/19/03 (a)	207,637
3,000,000DEM	7.000% due 3/18/04 (a)	638,167
3,875,000DEM	8.500% due 2/23/05 (a)	827,582
5,400,000DEM	11.250% due 4/10/06 (a)	1,176,159
1,000,000DEM	11.750% due 5/20/11 (a)	216,112
591,000	5.590% due 8/3/12 (b)	552,165
8,800,000DEM	12.000% due 9/19/16 (a)	1,834,665
4,471,631ARS	Bonds, 2.000% due 1/3/10 (b)	2,971,828
3,346,109ARS	Discount Bonds, 5.830% due 12/31/33 (b)	1,376,585
	GDP Linked Securities:	
2,705,000	0.625% due 12/15/35 (b)	349,080
57,059,503ARS	0.649% due 12/15/35 (b)	2,113,570
3,200,000EUR	0.662% due 12/15/35 (b)	540,180
	Medium-Term Notes:	
6,000,000,000ITL	7.000% due 3/18/04 (a)	1,279,148
3,000,000,000ITL	0.000% due 7/13/05 (a)	618,921
1,000,000,000ITL	7.625% due 8/11/07 (a)	211,545
625,000DEM	8.000% due 10/30/09 (a)	127,655
	<b>Total Argentina</b>	<b>15,476,613</b>
<b>Brazil 15.3%</b>		
	Federative Republic of Brazil:	
11,811,000	11.000% due 8/17/40 (e)	15,711,583
	Collective Action Securities:	
3,980,000	8.750% due 2/4/25	4,885,450
32,355,000	Notes, 8.000% due 1/15/18 (c)	36,116,268
	<b>Total Brazil</b>	