

SALOMON BROTHERS HIGH INCOME FUND II INC
Form N-CSRS
January 05, 2005

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 811-8709

Salomon Brothers High Income Fund II Inc.

(Exact name of registrant as specified in charter)

125 Broad Street, New York,

NY 10004

(Address of principal executive offices)

(Zip code)

Robert I. Frenkel, Esq.

Salomon Brothers Asset Management Inc

300 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 725-6666

Date of fiscal year end: October 31

Date of reporting period: October 31, 2004

ITEM 1. REPORT TO STOCKHOLDERS.

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

Salomon Brothers

High Income Fund II Inc.

Semi-Annual Report

October 31, 2004

PFPC Inc.

P.O. Box 43027

Providence, RI 02940-3027

HIXSEMI 10/04

04-7580

SALOMON BROTHERS HIGH INCOME FUND II INC.

Letter From the Chairman

R. Jay Gerken, CFA

Chairman

Dear Shareholder,

For the six months ended October 31, 2004, the Salomon Brothers High Income Fund II returned 9.12%, based on its New York Stock Exchange (NYSE) market price and 11.23% based on its net asset value (NAV) per share. The fund outperformed its unmanaged benchmark the Citigroup High Yield Market Index,ⁱⁱ which returned 6.42% for the same time frame. The fund's Lipper high current yield leveraged closed-end funds category averageⁱⁱⁱ was 8.40%. Please note that Lipper performance returns are based on each fund's NAV.

During this six-month period, the fund distributed dividends to shareholders totaling \$0.65 per share. The performance table shows the fund's 30-day SEC as well as its six-month total return based on its NAV and market price as of October 31, 2004. **Past performance is no guarantee of future results. The fund's yields will vary.**

FUND PERFORMANCE AS OF OCTOBER 31, 2004

Price Per Share	30-Day SEC Yield	Six-Month Total Return
\$11.56 (NAV)	8.53%	11.23%
\$12.11 (NYSE)	8.13%	9.12%

All figures represent past performance and are not a guarantee of future results. The fund's yields will vary.

Total returns are based on changes in NAV or market price, respectively. Total returns assume the reinvestment of all dividends and/or capital gains distributions, if any, in additional shares. The SEC yield is a return figure often quoted by bond and other fixed-income mutual funds. This quotation is based on the most recent 30-day (or one-month) period covered by the fund's filings with the SEC. The yield figure reflects the dividends and interest earned during the period after deduction of the fund's expenses for the period. These yields are as of October 31, 2004 and are subject to change.

The bond markets generated positive returns over the six-month period ended October 31, 2004. Although prices declined early in the period, they stabilized over recent months. The pullback in bond prices, which tend to move opposite anticipated interest rate movements, was triggered by heightened concern about resurgent inflation, rising rates, and anticipation that the Federal Reserve Board (Fed) would begin to push key short-term rates higher. Rising interest rates can act as a brake on robust economic growth, helping to maintain a balance between steady growth and the inflation that generally can accompany it.

For the first time in four years, the Fed raised short-term interest rates during the 6 months ended October 31, 2004. The Fed raised its target for the closely watched federal funds rate^v by 0.25% on three occasions, increasing it from a four-decade low of 1.00% in June to 1.75% in September, and then again to 2.00% on November 10, which is after the fund's reporting period had ended.

SALOMON BROTHERS HIGH INCOME FUND II INC.

The U.S. high-yield bond market took a more tempered tone this year versus 2003, as signs of economic recovery increased and statements by the Fed indicated that the central bank might begin raising interest rates sooner than anticipated. After declining in April and May, among significant U.S. Treasury volatility, the high-yield market benefited later in the period due to a strong rally in U.S. Treasuries as the economy showed signs of slowing. Recent improvement in the U.S. economy has proved favorable for corporate earnings and the corporate bond credit environment. While markets will fluctuate, the high-yield market has remained healthy from a fundamental perspective, as many companies generated better-than-expected earnings and default rates continued to decline.

Information About Your Fund

As you may be aware several issues in the mutual fund industry have recently come under the scrutiny of federal and state regulators. The fund's Adviser and some of its affiliates have 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 fund has been informed that the Adviser and its affiliates are responding to those information requests, but are not in a position to predict the outcome of these requests and investigations.

In November 2003, Citigroup Asset Management (CAM) disclosed an investigation by the Securities and Exchange Commission (SEC) and the U.S. Attorney relating to Citigroup Asset Management's entry into the transfer agency business during 1997-1999. Citigroup has disclosed that the Staff of the SEC is considering recommending a civil injunctive action and/or an administrative proceeding against certain advisory and transfer agent entities affiliated with Citigroup, the former CEO of CAM, two former employees and a current employee of CAM, relating to the creation, operation and fees of its internal transfer agent unit that serves various CAM-managed funds. This internal transfer agent did not provide services to the fund. Citigroup is cooperating with the SEC and will seek to resolve this matter in discussion with the SEC Staff. Although there can be no assurance, Citigroup does not believe that this matter will have a material adverse effect on the fund.

Looking for Additional Information?

The fund is traded under the symbol HIX and its closing market price is available in most newspapers under the NYSE listings. The daily NAV is available on-line under symbol XHIXX. *Barron's* and *The Wall Street Journal's* Monday editions carry closed-end fund tables that will 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.sbam.com.

In a continuing effort to provide information concerning the fund, shareholders may call 1-888-777-0102 or 1-800-SALOMON (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.

SALOMON BROTHERS HIGH INCOME FUND II INC.

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

Sincerely,

R. Jay Gerken, CFA

Chairman, President and Chief Executive Officer

November 17, 2004

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: Like any investment where there is risk of loss, you may not be able to sell Fund shares of the fund for the same amount that you purchased them. Investing in foreign securities is subject to certain risks not associated with domestic investing, such as currency fluctuations, and changes in political and economic conditions. These risks are magnified in emerging or developing markets. High yield bonds involve greater credit and liquidity risks than investment grade bonds. 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.

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

- ⁱ NAV is calculated by subtracting total liabilities and outstanding preferred stock 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.
- ⁱⁱ The Citigroup High Yield Market Index is a broad-based unmanaged index of high yield securities. Please note that an investor cannot invest directly in an index.
- ⁱⁱⁱ Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the 6-month period ended October 31, 2004, calculated among the 28 funds in the fund's Lipper category, including the reinvestment of dividends and capital gains, if any.
- ^{iv} Source: U.S. Federal Reserve Board. The Fed 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.
- ^v 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.

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Fund at a Glance (unaudited)

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SALOMON BROTHERS HIGH INCOME FUND II INC.

Schedule of Investments (unaudited)

October 31, 2004

Face Amount	Security*	Value
Corporate Bonds & Notes 91.4%		
Basic Industries 16.9%		
\$ 3,850,000	Abitibi-Consolidated Inc., Debentures, 8.850% due 8/1/30	\$ 3,917,375
7,230,000	Acetex Corp., Sr. Notes, 10.875% due 8/1/09	7,989,150
2,500,000	Airgas, Inc., 9.125% due 10/1/11	2,825,000
2,575,000	Ak Steel Corp., 7.875% due 2/15/09 (a)	2,626,500
4,475,000	Anchor Glass Container Corp., Secured Notes, 11.000% due 2/15/13	5,012,000
4,375,000	Appleton Papers Inc., Sr. Sub. Notes, Series B, 9.750% due 6/15/14	4,593,750
5,400,000	Applied Extrusion Technologies, Inc., Series B, 10.750% due 7/1/11 (a)(b)	3,267,000
4,775,000	BCP Caylux Holdings Luxembourg SCA, Sr. Sub. Notes, 9.625% due 6/15/14 (c)	5,371,875
3,250,000	Berry Plastics Corp., 10.750% due 7/15/12	3,753,750
2,800,000	Borden Chemicals & Plastics L.P., Notes, 9.500% due 5/1/05 (b)(d)	280
	Buckeye Technologies Inc., Sr. Sub. Notes:	
1,750,000	9.250% due 9/15/08 (a)	1,763,125
1,750,000	8.000% due 10/15/10 (a)	1,793,750
3,500,000	Equistar Chemicals L.P., Sr. Notes, 10.625% due 5/1/11	4,060,000
8,500,000	FMC Corp., Debentures, 7.750% due 7/1/11	9,052,500
4,275,000	Huntsman International LLC, 10.125% due 7/1/09 (a)	4,510,125
1,525,000	IMCO Recycling Escrow Inc., Sr. Notes, 9.000% due 11/15/14	1,525,000
2,850,000	IMCO Recycling Inc., Secured Notes, 10.375% due 10/15/10 (c)	3,192,000
3,950,000	Innophos Inc., Sr. Sub. Notes, 8.875% due 8/15/14 (c)	4,275,875
6,950,000	ISP Chemco Inc., Series B, 10.250% due 7/1/11	7,784,000
2,900,000	Ispat Inland ULC, Secured Notes, 9.750% due 4/1/14	3,538,000
3,800,000	Jefferson Smurfit Corp., 8.250% due 10/1/12	4,237,000
3,750,000	JSG Funding PLC, Sr. Notes, 9.625% due 10/1/12	4,293,750
	Lyondell Chemical Co.:	
2,575,000	9.500% due 12/15/08	2,819,625
	Secured Notes:	
1,400,000	11.125% due 7/15/12 (a)	1,657,250
464,000	Series B, 9.875% due 5/1/07 (a)	493,000
3,075,000	Methanex Corp., Sr. Notes, 8.750% due 8/15/12	3,613,125
3,550,000	Millennium America Inc., 9.250% due 6/15/08 (a)	3,976,000
1,525,000	Mueller Group Inc., Sr. Sub. Notes, 10.000% due 5/1/12	1,654,625
4,375,000	Mueller Holdings Inc., (zero coupon until 4/15/09, 14.750% thereafter), due 4/15/14	2,821,875
1,000,000	Nalco Co., Sr. Sub. Notes, 8.875% due 11/15/13	1,101,250
1,000,000	Newark Group Inc, Sr. Sub. Notes, 9.750% due 3/15/14 (a)	1,045,000
1,325,000	OM Group, Inc., 9.250% due 12/15/11	1,392,906
7,000,000	Plastipak Holdings Inc., 10.750% due 9/1/11	7,875,000
2,000,000	Pliant Corp., Secured Notes, 11.125% due 9/1/09	2,160,000

See Notes to Financial Statements.

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SALOMON BROTHERS HIGH INCOME FUND II INC.

Schedule of Investments (unaudited) (continued)

October 31, 2004

Face Amount	Security*	Value
Basic Industries 16.9% (continued)		
\$ 2,700,000	Radnor Holdings Corp., Sr. Notes, 11.000% due 3/15/10 (a)	\$ 2,092,500
5,000,000	Republic Technologies International, LLC, 13.750% due 7/15/09 (b)(d)	0
5,200,000	Resolution Performance Products Inc., Sr. Sub. Notes, 13.500% due 11/15/10 (a) Rhodia S.A.:	5,174,000
575,000	Sr. Notes, 10.250% due 6/1/10 (a)	626,750
5,850,000	Sr. Sub. Notes, 8.875% due 6/1/11 (a)	5,499,000
1,000,000	Smurfit Capital Funding PLC, Debentures, 7.500% due 11/20/25	1,010,000
4,950,000	Stone Container Corp., Sr. Notes, 8.375% due 7/1/12 Tekni-Plex, Inc.:	5,494,500
1,525,000	Secured Notes, 8.750% due 11/15/13 (a)	1,462,094
2,850,000	Series B, 12.750% due 6/15/10 (a)	2,151,750
4,525,000	Tembec Industries, Inc., 8.625% due 6/30/09 (a)	4,626,813
1,657,000	Westlake Chemical Corp., 8.750% due 7/15/11	1,876,552
		150,005,420
Consumer Cyclicals 7.2%		
5,000,000	AMF Bowling Worldwide, Inc., Sr. Sub. Notes, 10.000% due 3/1/10 (c)	5,375,000
4,050,000	Buffets Inc., Sr. Sub. Notes, 11.250% due 7/15/10	4,333,500
6,325,000	Cinemark Inc., Sr. Discount Notes, (zero coupon until 3/15/09, 9.750% thereafter), due 3/15/14 (a) Cole National Group, Inc., Sr. Sub. Notes:	4,506,562
2,850,000	8.625% due 8/15/07	2,905,219
3,000,000	8.875% due 5/15/12	3,521,250
1,000,000	Eye Care Centers of America, Inc., 9.125% due 5/1/08	1,005,000
597,000	Felcor Lodging L.P., 10.000% due 9/15/08 (a) Host Marriott L.P.:	629,835
350,000	Series E, 8.375% due 2/15/06	371,000
1,625,000	Series I, 9.500% due 1/15/07 (a)	1,811,875
2,500,000	Sr. Notes, 7.125% due 11/1/13 (a) Interface, Inc.:	2,712,500
2,875,000	Sr. Notes, 10.375% due 2/1/10	3,320,625
1,500,000	Sr. Sub. Notes, 9.500% due 2/1/14	1,631,250
3,000,000	John Q. Hammons Hotels L.P., 1st Mortgage, Series B, 8.875% due 5/15/12 (a)	3,465,000
2,000,000	Leslie's Poolmart, Sr. Notes, Series B, 10.375% due 7/15/08 Levi Strauss & Co.:	2,050,000
1,750,000	Notes, 7.000% due 11/1/06	1,721,562
2,535,000	Sr. Notes, 11.625% due 1/15/08 (a)	2,598,375
3,525,000	MeriStar Hospitality Corp., 9.125% due 1/15/11 (a)	3,771,750
825,000	MeriStar Hospitality Operating Partnership, L.P., 10.500% due 6/15/09	911,625

See Notes to Financial Statements.

SALOMON BROTHERS HIGH INCOME FUND II INC.

Schedule of Investments (unaudited) (continued)

October 31, 2004

Face Amount	Security*	Value
Consumer Cyclicals 7.2% (continued)		
Saks Inc.:		
\$ 1,543,000	9.875% due 10/1/11 (a)	\$ 1,820,740
1,574,000	7.000% due 12/1/13 (a)	1,605,480
2,825,000	Sbarro, Inc., 11.000% due 9/15/09 (a)	2,694,344
Six Flags Inc., Sr. Notes:		
84,302	8.875% due 2/1/10 (a)	81,141
1,500,000	9.750% due 4/15/13 (a)	1,453,125
1,150,000	9.625% due 6/1/14 (a)	1,104,000
4,300,000	Starwood Hotels & Resorts Worldwide, Inc., 7.875% due 5/1/12	5,063,250
3,275,000	Tommy Hilfiger U.S.A., Inc., 6.850% due 6/1/08 (a)	3,324,125
		63,788,133
Consumer Non-Cyclical 19.6%		
3,975,000	aaiPharma Inc., 12.000% due 4/1/10 (a)	3,060,750
4,425,000	AmeriPath, Inc., 10.500% due 4/1/13 (a)	4,358,625
3,055,000	Ameristar Casinos, Inc., 10.750% due 2/15/09	3,497,975
1,961,000	Applica Inc., Sr. Sub. Notes, 10.000% due 7/31/08 (a)	1,921,780
3,550,000	Argosy Gaming Co., Sr. Sub. Notes, 7.000% due 1/15/14	3,798,500
4,875,000	Athena Neurosciences Finance LLC, 7.250% due 2/21/08	5,100,469
1,450,000	Brown Jordan International Inc., Series B, 12.750% due 8/15/07	1,203,500
Caesars Entertainment Corp., Sr. Sub. Notes:		
700,000	9.375% due 2/15/07	784,000
4,500,000	8.875% due 9/15/08	5,191,875
3,000,000	8.125% due 5/15/11 (a)	3,521,250
3,425,000	Curative Health Services Inc., Sr. Notes, 10.750% due 5/1/11 (a)	3,065,375
3,051,885	Dade Behring Holdings Inc., 11.910% due 10/3/10	3,471,519
4,725,000	Denny's Corp., Sr. Notes, 10.000% due 10/1/12 (a)(c)	4,925,812
5,250,000	Doane Pet Care Co., Sr. Sub. Notes, 9.750% due 5/15/07 (a)	5,250,000
6,500,000	Dole Food Co Inc., Debentures, 8.750% due 7/15/13	6,818,250
5,120,000	Extencare Health Services, Inc., 9.500% due 7/1/10	5,785,600
1,475,000	Hanger Orthopedic Group Inc., 10.375% due 2/15/09 (a)	1,489,750
3,325,000	Hines Nurseries, Inc., 10.250% due 10/1/11	3,574,375
6,500,000	Home Interiors & Gifts, Inc., 10.125% due 6/1/08 (a)	5,622,500
4,800,000	IASIS Healthcare Corp., Sr. Sub. Notes, 8.750% due 6/15/14 (c)	5,184,000
3,925,000	Icon Health & Fitness Inc., 11.250% due 4/1/12	3,277,375
3,780,000	Inn of the Mountain Gods Resort & Casino, Sr. Notes, 12.000% due 11/15/10	4,403,700
2,350,000	InSight Health Services, Corp., Series B, 9.875% due 11/1/11 (a)	2,361,750
6,032,667	Iowa Select Farms, L.P., Secured Notes, Payment-in-Kind, 10.750% due 12/1/06 (c)	3,997,302
4,800,000	Isle of Capri Casinos Inc., Sr. Sub. Notes, 7.000% due 3/1/14	4,992,000

See Notes to Financial Statements.

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SALOMON BROTHERS HIGH INCOME FUND II INC.

Schedule of Investments (unaudited) (continued)

October 31, 2004

Face Amount	Security*	Value
Consumer Non-Cyclicals 19.6% (continued)		
\$ 3,500,000	Jafra Cosmetics International Inc., 10.750% due 5/15/11	\$ 4,007,500
2,500,000	Jean Coutu Group Inc., Sr. Sub. Notes, 8.500% due 8/1/14 (a)	2,562,500
3,750,000	Jean Coutu Group Inc., Sr. Sub. Notes, 8.500% due 8/1/14 (a)(c)	4,153,125
4,225,000	Leiner Health Products Inc., Sr. Sub. Notes, 11.000% due 6/1/12 (c)	4,599,969
1,550,000	Medical Device Manufacturing Inc., 10.000% due 7/15/12 (c)	1,666,250
MGM MIRAGE:		
6,375,000	9.750% due 6/1/07 (a)	7,203,750
1,775,000	Sr. Notes, 6.750% due 9/1/12 (c)	1,890,375
1,117,365	Nutritional Sourcing Corp., Notes, 10.125% due 8/1/09	765,395
4,700,000	Pinnacle Entertainment Inc., Sr. Sub. Notes, 8.250% due 3/15/12	4,876,250
4,675,000	Pinnacle Foods Holding Corp., Sr. Sub. Notes, 8.250% due 12/1/13 (c)	4,441,250
3,400,000	Playtex Products, Inc., 9.375% due 6/1/11 (a)	3,595,500
Rite Aid Corp.:		
Notes:		
1,000,000	6.000% due 12/15/05 (a)(c)	1,015,000
310,000	7.125% due 1/15/07 (a)	314,650
5,265,000	Sr. Notes, 7.625% due 4/15/05	5,370,300
4,425,000	Sealy Mattress Co., Sr. Sub. Notes, 8.250% due 6/15/14	4,701,563
475,000	Station Casinos Inc., Sr. Sub. Notes, 6.875% due 3/1/16	507,062
2,500,000	Sybron Dental Specialties, Inc., 8.125% due 6/15/12	2,737,500
2,145,000	Tempur-Pedic Inc. and Tempur Production U.S.A. Inc., Sr. Sub. Notes, 10.250% due 8/15/10	2,493,563