

SALOMON BROTHERS HIGH INCOME FUND II INC
Form N-Q
September 29, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

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.

Smith Barney Fund Management LLC

300 First Stamford Place

Stamford, CT 06902

(Name and address of agent for service)

Registrant's telephone number, including area code: 1-800-451-2010

Date of fiscal year end: April 30

Date of reporting period: July 31, 2004

ITEM 1. SCHEDULE OF INVESTMENTS

SALOMON BROTHERS HIGH INCOME

FUND II INC.

FORM N-Q

JULY 31, 2004

Salomon Brothers High Income Fund II Inc.

Schedule of Investments (unaudited)

July 31, 2004

| Face Amount | Security* | Value |
|-------------------------------|--|--------------|
| CORPORATE BONDS 71.9% | | |
| Basic Industries 13.3% | | |
| \$ 4,350,000 | Abitibi-Consolidated Inc., Debentures, 8.850% due 8/1/30 | \$ 4,278,808 |
| 7,230,000 | Acetex Corp., Sr. Notes, 10.875% due 8/1/09 | 7,953,000 |
| 2,500,000 | Airgas, Inc., Sr. Sub. Notes, 9.125% due 10/1/11 | 2,821,875 |
| 4,725,000 | AK Steel Corp., Sr. Notes, 7.875% due 2/15/09 (a) | 4,524,188 |
| 3,875,000 | Anchor Glass Container Corp., Sr. Secured Notes, 11.000% due 2/15/13 | 4,456,250 |
| 4,375,000 | Appleton Papers Inc., Sr. Sub. Notes, 9.750% due 6/15/14 (b) | 4,462,500 |
| 5,400,000 | Applied Extrusion Technologies, Inc., Sr. Notes, Series B, 10.750% due 7/1/11 (a) (c) | 3,348,000 |
| 4,775,000 | BCP Caylux Holdings Luxembourg SCA, Sr. Sub. Notes, 9.625% due 6/15/14 (b) | 5,001,813 |
| 3,250,000 | Berry Plastics Corp., Sr. Sub. Notes, 10.750% due 7/15/12 | 3,640,000 |
| 2,800,000 | Borden Chemicals & Plastics L.P., Notes, 9.500% due 5/1/05 (c) (d) | 280 |
| | Buckeye Technologies Inc., Sr. Sub. Notes: | |
| 1,750,000 | 9.250% due 9/15/08 | 1,754,375 |
| 1,000,000 | 8.000% due 10/15/10 (a) | 945,000 |
| 3,500,000 | Equistar Chemicals L.P., Sr. Notes, 10.625% due 5/1/11 | 3,902,500 |
| 8,500,000 | FMC Corp., Debentures, 7.750% due 7/1/11 | 9,031,250 |
| 4,275,000 | Huntsman International LLC, Sr. Sub. Notes, 10.125% due 7/1/09 (a) | 4,371,188 |
| 2,850,000 | IMCO Recycling Inc., Sr. Secured Notes, 10.375% due 10/15/10 | 3,092,250 |
| 6,950,000 | ISP Chemco Inc., Sr. Sub. Notes, Series B, 10.250% due 7/1/11 | 7,784,000 |
| 4,650,000 | Ispat Inland ULC, Sr. Secured Notes, 9.750% due 4/1/14 (b) | 4,824,375 |
| 3,800,000 | Jefferson Smurfit Corp., Sr. Notes, 8.250% due 10/1/12 | 4,075,500 |
| 3,750,000 | JSG Funding PLC, Sr. Notes, 9.625% due 10/1/12 | 4,218,750 |
| | Lyondell Chemical Co., Sr. Secured Notes: | |
| 2,575,000 | 9.500% due 12/15/08 | 2,706,969 |
| 1,400,000 | 11.125% due 7/15/12 (a) | 1,569,750 |
| 550,000 | Series B, 9.875% due 5/1/07 (a) | 579,563 |
| 3,075,000 | Methanex Corp., Sr. Notes, 8.750% due 8/15/12 | 3,490,125 |
| 3,550,000 | Millennium America Inc., Sr. Notes, 9.250% due 6/15/08 (a) | 3,851,750 |
| 1,525,000 | Mueller Group Inc., Sr. Sub. Notes, 10.000% due 5/1/12 | 1,608,875 |
| 2,000,000 | Mueller Holdings (N.A.), Inc., Sr. Discount Notes, zero coupon until 4/15/09 (14.750% thereafter), due 4/15/14 | 1,250,000 |
| 1,000,000 | Nalco Co., Sr. Sub. Notes, 8.875% due 11/15/13 (b) | 1,055,000 |
| 1,000,000 | Newark Group Inc, Sr. Sub. Notes, 9.750% due 3/15/14 (b) | 965,000 |
| 1,325,000 | OM Group, Inc., Sr. Sub. Notes, 9.250% due 12/15/11 | 1,361,438 |
| 7,000,000 | Plastipak Holdings Inc., Sr. Notes, 10.750% due 9/1/11 | 7,568,750 |
| 2,000,000 | Pliant Corp., Sr. Secured Second Lien Notes, 11.125% due 9/1/09 | 2,170,000 |
| 2,700,000 | Radnor Holdings Corp., Sr. Notes, 11.000% due 3/15/10 (a) | 2,335,500 |
| 5,000,000 | Republic Technologies International, LLC / RTI Capital Corp., Sr. Secured Notes, 13.750% due 7/15/09 (c)(d) | |
| 5,200,000 | Resolution Performance Products Inc., Sr. Sub. Notes, 13.500% due 11/15/10 (a) | 5,044,000 |
| | Rhodia S.A.: | |
| 575,000 | Sr. Notes, 10.250% due 6/1/10 (a) (b) | 589,375 |
| 5,850,000 | Sr. Sub. Notes, 8.875% due 6/1/11 (a) (b) | 5,060,250 |
| 1,000,000 | Smurfit Capital Funding PLC, Debentures, 7.500% due 11/20/25 | 945,000 |
| 4,950,000 | Stone Container Corp., Sr. Notes, 8.375% due 7/1/12 | 5,321,250 |
| | Tekni-Plex, Inc., Secured Notes: | |
| 1,525,000 | 8.750% due 11/15/13 (b) | 1,484,969 |
| 2,850,000 | Series B, 12.750% due 6/15/10 (a) | 2,821,500 |
| | Tembec Industries, Inc., Sr. Notes: | |
| 7,900,000 | 8.625% due 6/30/09 (a) | 8,196,250 |
| 1,325,000 | 8.500% due 2/1/11 (a) | 1,378,000 |
| 2,550,000 | Westlake Chemical Corp., Sr. Notes, 8.750% due 7/15/11 | 2,811,375 |
| | | 148,650,591 |
| Consumer Cyclical 5.5% | | |
| 5,000,000 | AMF Bowling Worldwide, Inc., Sr. Sub. Notes, 10.000% due 3/1/10 (b) | 5,187,500 |
| 3,300,000 | Buffets Inc., Sr. Sub. Notes, 11.250% due 7/15/10 | 3,481,500 |
| 3,300,000 | Cinemark Inc., Sr. Discount Notes, (zero coupon until 3/15/09, 9.750% thereafter), due 3/15/14 (b) | 2,194,500 |
| | Cole National Group, Inc., Sr. Sub. Notes: | |
| 2,850,000 | 8.625% due 8/15/07 | 2,910,563 |
| 3,000,000 | 8.875% due 5/15/12 | 3,285,000 |
| 1,000,000 | Eye Care Centers of America, Inc., Sr. Sub. Notes, 9.125% due 5/1/08 | 1,015,000 |
| 970,051 | Felcor Lodging L.P., Sr. Notes, 10.000% due 9/15/08 (a) | 1,029,466 |
| | Host Marriott L.P.: | |
| | Notes: | |

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| | | |
|-----------|---|-----------|
| 350,000 | Series E, 8.375% due 2/15/06 | 371,875 |
| 1,625,000 | Series I, 9.500% due 1/15/07 | 1,783,437 |
| 2,500,000 | Sr. Notes, 7.125% due 11/1/13 (a) | 2,500,000 |
| | Interface, Inc.: | |
| 2,875,000 | Sr. Notes, 10.375% due 2/1/10 | 3,241,563 |
| 1,500,000 | Sr. Sub. Notes, 9.500% due 2/1/14 (b) | 1,515,000 |
| 3,000,000 | John Q. Hammons Hotels L.P., 1st Mortgage Notes, Series B, 8.875% due 5/15/12 | 3,318,750 |
| 1,000,000 | LCE Acquisition Corp., Sr. Sub. Notes, 9.000% due 8/1/14 (b) | 990,000 |
| 2,000,000 | Leslie s Poolmart, Sr. Notes, Series B, 10.375% due 7/15/08 | 2,050,000 |

See Notes to Schedule of Investments.

Salomon Brothers High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Face Amount | Security* | Value |
|---|--|--------------|
| Consumer Cyclical 5.5% (Continued) | | |
| \$ 1,750,000 | Levi Strauss & Co.: Notes, 7.000% due 11/1/06 (a) Sr. Notes: | \$ 1,706,250 |
| 4,350,000 | 11.625% due 1/15/08 (a) | 4,404,375 |
| 935,000 | 12.250% due 12/15/12 (a) | 953,700 |
| MeriStar Hospitality Operating Partnership, L.P. / MeriStar Hospitality Finance Corp., Sr. Notes: | | |
| 3,525,000 | 9.125% due 1/15/11 (a) | 3,657,188 |
| 825,000 | 10.500% due 6/15/09 (a) | 895,125 |
| 450,000 | Phillips-Van Heusen Corp., Sr. Notes, 8.125% due 5/1/13 | 474,750 |
| Saks Inc., Notes: | | |
| 1,543,000 | 9.875% due 10/1/11 (a) | 1,789,880 |
| 1,574,000 | 7.000% due 12/1/13 | 1,550,390 |
| 2,825,000 | Sbarro, Inc., Sr. Notes, 11.000% due 9/15/09 (a) | 2,514,250 |
| 4,300,000 | Starwood Hotels & Resorts Worldwide, Inc., Notes, 7.875% due 5/1/12 | 4,654,750 |
| 3,275,000 | Tommy Hilfiger U.S.A., Inc., Notes, 6.850% due 6/1/08 | 3,406,000 |
| | | 60,880,812 |
| Consumer Non-Cyclical 16.4% | | |
| 3,975,000 | aaiPharma Inc., Sr. Sub. Notes, 11.000% due 4/1/10 (a) | 3,319,125 |
| 8,500,000 | AKI, Inc., Sr. Notes, 10.500% due 7/1/08 | 8,765,625 |
| 4,425,000 | AmeriPath, Inc., Sr. Sub. Notes, 10.500% due 4/1/13 (a) | 4,513,500 |
| 3,055,000 | Ameristar Casinos, Inc., Sr. Sub. Notes, 10.750% due 2/15/09 | 3,452,150 |
| 1,961,000 | Applica Inc., Sr. Sub. Notes, 10.000% due 7/31/08 | 1,970,805 |
| 3,550,000 | Argosy Gaming Co., Sr. Sub. Notes, 7.000% due 1/15/14 (b) | 3,554,438 |
| 4,875,000 | Athena Neurosciences Finance LLC, Sr. Notes, 7.250% due 2/21/08 | 4,838,438 |
| 1,450,000 | Brown Jordan International Inc., Series B, 12.750% due 8/15/07 (b) | 1,203,500 |
| Caesars Entertainment Corp., Sr. Sub. Notes: | | |
| 700,000 | 9.375% due 2/15/07 | 769,125 |
| 4,500,000 | 8.875% due 9/15/08 (a) | 5,017,500 |
| 3,000,000 | 8.125% due 5/15/11 (a) | 3,326,250 |
| 4,900,000 | Curative Health Services Inc., Sr. Notes, 10.750% due 5/1/11 (b) | 4,459,000 |
| 3,099,450 | Dade Behring Holdings Inc., Sr. Sub. Notes, 11.910% due 10/3/10 | 3,548,870 |
| 5,250,000 | Doane Pet Care Co., Sr. Sub. Notes, 9.750% due 5/15/07 (a) | 4,961,250 |
| 1,600,000 | Dole Food Co. Inc., Debentures, 8.750% due 7/15/13 | 1,688,000 |
| 5,120,000 | Extencicare Health Services, Inc., Sr. Notes, 9.500% due 7/1/10 (a) | 5,728,000 |
| 6,500,000 | Home Interiors & Gifts, Inc., Sr. Sub. Notes, 10.125% due 6/1/08 | 6,500,000 |
| 4,325,000 | Horseshoe Gaming Holding Corp., Sr. Sub. Notes, Series B, 8.625% due 5/15/09 | 4,535,844 |
| 4,800,000 | IASIS Healthcare Corp., Sr. Sub. Notes, 8.750% due 6/15/14 (b) | 5,016,000 |
| 3,925,000 | ICON Health & Fitness Inc., Sr. Sub. Notes, 11.250% due 4/1/12 | 4,297,875 |
| 3,780,000 | Inn of the Mountain Gods Resort & Casino, Sr. Notes, 12.000% due 11/15/10 | 4,252,500 |
| 2,750,000 | InSight Health Services, Corp., Sr. Sub. Notes, Series B, 9.875% due 11/1/11 (a) | 2,976,875 |
| 6,031,515 | Iowa Select Farms, L.P., Secured Notes, Payment-in-Kind, 10.750% due 12/1/06 (b) | 5,126,788 |
| 4,800,000 | Isle of Capri Casinos Inc., Sr. Sub. Notes, 7.000% due 3/1/14 | 4,590,000 |
| 3,500,000 | Jafra Cosmetics International Inc., Sr. Sub. Notes, 10.750% due 5/15/11 | 3,955,000 |
| 3,600,000 | Jean Coutu Group Inc., Sr. Sub. Notes, 8.500% due 8/1/14 (b) | 3,586,500 |
| 2,450,000 | Kerzner International Ltd., Sr. Sub. Notes, 8.875% due 8/15/11 | 2,646,000 |
| 4,225,000 | Leiner Health Products Inc., Sr. Sub. Notes, 11.000% due 6/1/12 (a) (b) | 4,415,125 |
| 6,375,000 | MGM MIRAGE, Sr. Sub. Notes, 9.750% due 6/1/07 | 7,036,406 |
| 1,117,365 | Nutritional Sourcing Corp., Notes, 10.125% due 8/1/09 | 754,221 |
| 4,700,000 | Pinnacle Entertainment Inc., Sr. Sub. Notes, 8.250% due 3/15/12 | 4,535,500 |
| 4,675,000 | Pinnacle Foods Holding Corp., Sr. Sub. Notes, 8.250% due 12/1/13 (b) | 4,511,375 |
| 4,325,000 | Playtex Products, Inc., Sr. Sub. Notes, 9.375% due 6/1/11 (a) | 4,379,063 |
| 5,025,000 | Premier International Foods PLC, Sr. Notes, 12.000% due 9/1/09 (a) | 5,376,750 |
| Rite Aid Corp.: | | |
| Notes: | | |
| 1,000,000 | 6.000% due 12/15/05 (b) | 1,010,000 |
| 310,000 | 7.125% due 1/15/07 (a) | 316,975 |
| 5,265,000 | Sr. Notes, 7.625% due 4/15/05 (a) | 5,409,788 |
| 3,200,000 | Sealy Mattress Co., Sr. Sub. Notes, 8.250% due 6/15/14 (b) | 3,216,000 |
| 1,025,000 | Stater Brothers Holdings, Inc., Sr. Notes, 8.125% due 6/15/12 (b) | 1,053,187 |
| 475,000 | Station Casinos Inc., Sr. Sub. Notes, 6.875% due 3/1/16 | 464,313 |
| 2,500,000 | Sybron Dental Specialties, Inc., Sr. Sub. Notes, 8.125% due 6/15/12 | 2,687,500 |
| 2,145,000 | Tempur-Pedic Inc. / Tempur Production U.S.A. Inc., Sr. Sub. Notes, 10.250% due 8/15/10 | 2,426,531 |

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|-----------|--|-------------|
| | Tenet Healthcare Corp.: | |
| 6,000,000 | Notes, 7.375% due 2/1/13 (a) | 5,580,000 |
| | Sr. Notes: | |
| 1,800,000 | 6.500% due 6/1/12 | 1,602,000 |
| 150,000 | 9.875% due 7/1/14 (b) | 156,563 |
| 1,525,000 | 6.875% due 11/15/31 (a) | 1,204,750 |
| 7,775,000 | United Industries Corp., Sr. Sub. Notes, Series D, 9.875% due 4/1/09 | 8,144,313 |
| 4,750,000 | Vanguard Health Systems, Inc., Sr. Sub. Notes, 9.750% due 8/1/11 (a) | 5,486,250 |
| 3,525,000 | Venetian Casino Resort, LLC / Las Vegas Sands, Inc., Mortgage Secured Notes, 11.000% due 6/15/10 | 4,036,125 |
| | | 182,401,693 |

See Notes to Schedule of Investments.

Salomon Brothers High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Face Amount | Security* | Value |
|-----------------------------|---|--------------|
| Energy 5.9% | | |
| \$ 3,000,000 | BRL Universal Equipment 2001 A, L.P., Secured Notes, 8.875% due 2/15/08 | \$ 3,228,750 |
| | Dynegy Holdings Inc.: | |
| | Sr. Debentures: | |
| 4,550,000 | 7.125% due 5/15/18 | 3,708,250 |
| 8,350,000 | 7.625% due 10/15/26 | 6,763,500 |
| 2,000,000 | Sr. Secured Second Priority Notes, 9.875% due 7/15/10 (b) | 2,195,000 |
| | EL Paso Corp.: | |
| 5,200,000 | Notes, 7.875% due 6/15/12 (a) | 4,810,000 |
| | Sr. Medium-Term Notes; | |
| 5,425,000 | 7.800% due 8/1/31 (a) | 4,434,938 |
| 6,325,000 | 7.750% due 1/15/32 (a) | 5,170,687 |
| 3,175,000 | Hanover Compressor Co., Sr. Notes, 9.000% due 6/1/14 | 3,357,562 |
| 6,625,000 | Magnum Hunter Resources, Inc., Sr. Notes, 9.600% due 3/15/12 (a) | 7,353,750 |
| 4,575,000 | Plains Exploration & Production Co., Sr. Notes, 7.125% due 6/15/14 (b) | 4,723,688 |
| 2,000,000 | Pogo Producing Co., Sr., Sub. Notes, Series B, 8.250% due 4/15/11 | 2,200,000 |
| 2,000,000 | Pride International Inc., Sr. Notes, 10.000% due 6/1/09 | 2,110,000 |
| 1,000,000 | Swift Energy Co., Sr. Sub. Notes, 9.375% due 5/1/12 | 1,080,000 |
| | The Williams Cos., Inc.: | |
| | Notes: | |
| 3,700,000 | 7.625% due 7/15/19 | 3,755,500 |
| 3,650,000 | 7.875% due 9/1/21 | 3,704,750 |
| 2,150,000 | 8.750% due 3/15/32 | 2,276,313 |
| 4,000,000 | Sr. Notes, 8.625% due 6/1/10 | 4,510,000 |
| | | 65,382,688 |
| Financial 0.0% | | |
| 1,975,400 | Airplanes Pass-Through Trust, Series D, 10.875% due 3/15/19 (c) (d) | |
| Housing Related 1.2% | | |
| 8,500,000 | Associated Materials Inc., Sr. Discount Notes, zero coupon until 3/1/09, (11.250% thereafter), due 3/1/14 (b) | 5,992,500 |
| 2,125,000 | Collins & Aikman Floor Cover, Sr. Sub. Notes, Series B, 9.750% due 2/15/10 | 2,210,000 |
| 5,075,000 | Ply Gem Industries, Inc., Sr. Sub. Notes, 9.000% due 2/15/12 (b) | 5,151,125 |
| | | 13,353,625 |
| Manufacturing 4.5% | | |
| 3,325,000 | Alliant Techsystems Inc., Sr. Sub. Notes, 8.500% due 5/15/11 | 3,615,938 |
| 4,200,000 | Argo-Tech Corp., Sr. Notes, 9.250% due 6/1/11 (b) | 4,431,000 |
| 5,075,000 | Blount Inc., Sr. Notes, 13.000% due 8/1/09 | 5,481,000 |
| 8,800,000 | BREED Technologies, Inc., Sr. Sub. Notes, 9.250% due 4/15/08 (c) (d) | |
| 450,000 | Case New Holland Inc., Sr. Notes, 9.250% due 8/1/11 (b) | 489,375 |
| 3,825,000 | Flowsolve Corp., Sr. Sub. Notes, 12.250% due 8/15/10 (a) | 4,350,937 |
| 1,750,000 | General Binding Corp., Sr. Sub. Notes, 9.375% due 6/1/08 (a) | 1,793,750 |
| 2,100,000 | Invensys PLC, Sr. Notes, 9.875% due 3/15/11 (a) (b) | 2,126,250 |
| 8,000,000 | Key Plastics Holdings, Inc., Sr. Sub. Notes, Series B, 10.250% due 3/15/07 (c) (d) | 10,000 |
| 2,100,000 | Keystone Automotive Operations Inc., Sr. Sub. Notes, 9.750% due 11/1/13 | 2,257,500 |
| 1,750,000 | Kinetek, Inc., Sr. Notes, Series D, 10.750% due 11/15/06 | 1,566,250 |
| 5,500,000 | L-3 Communications Corp., Sr. Sub. Notes, Series B, 7.625% due 6/15/12 | 5,898,750 |
| 2,750,000 | Moll Industries, Inc., Sr. Sub. Notes, 10.500% due 7/1/08 (c) (d) | 41,250 |
| 1,850,000 | NMHG Holdings Co., Sr. Notes, 10.000% due 5/15/09 | 2,044,250 |
| 2,425,000 | Polypore Inc., Sr. Sub. Notes, 8.750% due 5/15/12 (b) | 2,582,625 |
| 4,000,000 | Sequa Corp., Sr. Notes, 9.000% due 8/1/09 | 4,360,000 |
| 1,700,000 | Tenneco Automotive Inc., Sr. Secured Second Lien Notes, Series B, 10.250% due 7/15/13 | 1,946,500 |
| 4,000,000 | Terex Corp., Sr. Sub. Notes, Series B, 10.375% due 4/1/11 (a) | 4,490,000 |
| 2,409,000 | TRW Automotive Inc., Sr. Notes, 9.375% due 2/15/13 | 2,758,305 |
| | | 50,243,680 |
| Media and Cable 8.4% | | |
| 4,726,575 | Avalon Cable Holding Finance, Inc., Sr. Discount Notes, 11.875% due 12/1/08 | 5,021,986 |
| | Charter Communications Holdings, LLC / Charter Communications Holdings Capital Corp.: | |
| | Sr. Discount Notes: | |
| 4,530,000 | Zero coupon until 1/15/05, (11.750% thereafter), due 1/15/10 (a) | 3,465,450 |
| 13,000,000 | Zero coupon until 5/15/06, (11.750% thereafter), due 5/15/11 | 7,735,000 |
| 10,000,000 | Zero coupon until 1/15/07, (12.125% thereafter), due 1/15/12 | 5,475,000 |
| | Sr. Notes: | |
| 350,000 | 8.625% due 4/1/09 (a) | 266,000 |
| 50,000 | 10.750% due 10/1/09 | 40,500 |

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|------------|---|------------|
| 10,500,000 | CSC Holdings, Inc., Sr. Sub. Debentures, 10.500% due 5/15/16 (a) | 11,812,500 |
| | Dex Media East LLC/Dex Media East Finance Co.: | |
| 1,750,000 | Sr. Notes, Series B, 9.875% due 11/15/09 | 1,986,250 |
| 1,250,000 | Sr. Sub. Notes, Series B, 12.125% due 11/15/12 | 1,487,500 |
| 4,500,000 | Dex Media Inc., Discount Notes, Series A, zero coupon until 11/15/08, (9.000% thereafter), due 11/15/13 (b) | 3,150,000 |
| 2,400,000 | Dex Media West LLC / Dex Media West Finance Co., Sr. Sub. Notes, Series B, 9.875% due 8/15/13 | 2,718,000 |
| 4,650,000 | DIRECTV Holdings LLC, Sr. Notes, 8.375% due 3/15/13 | 5,231,250 |
| 7,183,000 | EchoStar DBS Corp., Sr. Notes, 9.125% due 1/15/09 | 7,919,257 |
| 5,189,780 | Hollinger Participation Trust, Sr. Notes, Payment-in-Kind, 12.125% due 11/15/10 (b) | 6,097,991 |

See Notes to Schedule of Investments.

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Salomon Brothers High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Face Amount | Security* | Value |
|---|--|--------------|
| Media and Cable 8.4% (Continued) | | |
| \$ 2,500,000 | Houghton Mifflin Co., Sr. Discount Notes, zero coupon until 10/15/08, (11.500% thereafter), due 10/15/13 (a) | \$ 1,437,500 |
| 4,350,000 | Insight Midwest, L.P., Sr. Notes, 10.500% due 11/1/10 (a) | 4,665,375 |
| 2,100,000 | Interep National Radio Sales, Inc., Sr. Sub. Notes, Series B, 10.000% due 7/1/08 (a) | 1,693,125 |
| 4,875,000 | Mediacom LLC, Sr. Notes, 9.500% due 1/15/13 (a) | 4,533,750 |
| 6,275,000 | NextMedia Operating, Inc., Sr. Sub. Notes, 10.750% due 7/1/11 | 7,035,844 |
| 900,000 | R.H. Donnelley Finance Corp. I, Sr. Sub. Notes, 10.875% due 12/15/12 (b) | 1,057,500 |
| 3,475,000 | Radio One, Inc., Sr. Sub. Notes, Series B, 8.875% due 7/1/11 (a) | 3,857,250 |
| | Yell Finance B.V.: | |
| 6,776,000 | Sr. Discount Notes, zero coupon until 8/1/06, (13.500% thereafter), due 8/1/11 | 6,521,900 |
| 606,000 | Sr. Notes, 10.750% due 8/1/11 (a) | 703,718 |
| | | 93,912,646 |
| Services and Other 1.8% | | |
| 1,350,000 | Allied Security Escrow Corp., Sr. Sub. Notes, 11.375% due 7/15/11 (b) | 1,404,000 |
| | Allied Waste North America, Inc.: | |
| 6,000,000 | Sr. Notes, 7.375% due 4/15/14 | 5,775,000 |
| | Sr. Notes, Series B: | |
| 250,000 | 8.875% due 4/1/08 | 273,750 |
| 400,000 | 9.250% due 9/1/12 | 447,500 |
| 3,200,000 | Brand Services, Inc., Sr. Sub. Notes, 12.000% due 10/15/12 | 3,696,000 |
| 1,000,000 | Cenveo Corp., Sr. Notes, 9.625% due 3/15/12 (a) | 1,080,000 |
| 4,000,000 | The Holt Group, Inc., Sr. Notes, 9.750% due 1/15/06 (c) (d) | |
| 710,000 | Iron Mountain Inc., Sr. Sub. Notes, 8.625% due 4/1/13 | 765,913 |
| 2,325,000 | Muzak LLC / Muzak Finance Corp., Sr. Notes, 10.000% due 2/15/09 | 2,057,625 |
| 6,500,000 | Safety-Kleen Corp., Sr. Notes, 9.250% due 5/15/09 (c) | 325,000 |
| 4,000,000 | Sitel Corp., Sr. Sub. Notes, 9.250% due 3/15/06 | 4,020,000 |
| | | 19,844,788 |
| Technology 2.2% | | |
| 2,300,000 | Amkor Technology, Inc., Sr. Sub. Notes, 10.500% due 5/1/09 (a) | 2,167,750 |
| 12,600,000 | Lucent Technologies Inc., Debentures, 6.450% due 3/15/29 (a) | 9,670,500 |
| 3,775,000 | Nortel Networks Ltd., Notes, 6.125% due 2/15/06 | 3,789,156 |
| 3,000,000 | Seagate Technology HDD Holdings, Sr. Notes, 8.000% due 5/15/09 | 3,135,000 |
| 5,175,000 | Unisys Corp., Sr. Notes, 8.125% due 6/1/06 | 5,472,563 |
| | | 24,234,969 |
| Telecommunications 7.2% | | |
| | Alamosa (Delaware) Inc.: | |
| 4,430,000 | Sr. Discount Notes, zero coupon until 7/31/05, (12.000% thereafter), due 7/31/09 | 4,352,475 |
| 1,950,000 | Sr. Notes, 11.000% due 7/31/10 | 2,149,875 |
| | American Tower Corp., Sr. Notes: | |
| 8,625,000 | 9.375% due 2/1/09 (a) | 9,250,313 |
| 1,825,000 | 7.500% due 5/1/12 (a) (b) | 1,802,188 |
| 1,800,000 | American Tower Escrow Corp., Sr. Sub. Discount Notes, zero coupon due 8/1/08 | 1,345,500 |
| | Crown Castle International Corp., Sr. Notes: | |
| 2,300,000 | 9.375% due 8/1/11 | 2,604,750 |
| 5,140,000 | 10.750% due 8/1/11 (a) | 5,782,500 |
| 600,000 | 7.500% due 12/1/13 (a) | 601,500 |
| 950,000 | Series B, 7.500% due 12/1/13 | 952,375 |
| 14,050,000 | Nextel Communications, Inc., Sr. Notes, 7.375% due 8/1/15 | 14,822,750 |
| 2,200,000 | PanAmSat Corp., Sr. Notes, 9.000% due 8/15/14 (b) | 2,200,000 |
| | Qwest Corp.: | |
| 325,000 | Debentures, 8.875% due 6/1/31 | 316,062 |
| 7,325,000 | Notes, 9.125% due 3/15/12 (b) | 8,094,125 |
| | Qwest Services Corp., Notes: | |
| 8,075,000 | 13.500% due 12/15/10 (b) | 9,498,219 |
| 2,071,000 | 14.000% due 12/15/14 (b) | 2,495,555 |
| 4,975,000 | SBA Communications Corp., Sr. Notes, 10.250% due 2/1/09 (a) | 5,174,000 |
| 850,000 | SpectraSite, Inc., Sr. Notes, 8.250% due 5/15/10 | 881,875 |
| | UbiquiTel Operating Co.: | |
| 1,575,000 | Sr. Notes, 9.875% due 3/1/11 | 1,571,062 |
| 3,750,000 | Sr. Discount Notes, zero coupon until 4/15/05, (14.000% thereafter), due 4/15/10 | 3,787,500 |

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| | | |
|----------------------------|--|------------|
| 2,500,000 | Western Wireless Corp., Sr. Notes, 9.250% due 7/15/13 | 2,568,750 |
| | | 80,251,374 |
| Transportation 0.5% | | |
| | Continental Airlines, Inc., Pass-Through Certificates: | |
| 1,893,846 | Series 00-2, 8.312% due 4/2/11 | 1,422,365 |
| 675,000 | Series 98-3, 7.250% due 11/1/05 (a) | 587,974 |
| 2,673,960 | Series 981C, 6.541% due 9/15/08 | 2,321,319 |
| 1,775,000 | General Maritime Corp., Sr. Notes, 10.000% due 3/15/13 | 1,961,375 |
| | | 6,293,033 |

See Notes to Schedule of Investments.

Salomon Brothers High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Face Amount | Security* | Value |
|------------------------------------|---|--------------------|
| Utilities 5.0% | | |
| \$ 1,325,000 | The AES Corp., Sr. Notes: 9.500% due 6/1/09 | \$ 1,444,250 |
| 1,400,000 | 9.375% due 9/15/10 (a) | 1,526,000 |
| 4,425,000 | 7.750% due 3/1/14 | 4,325,438 |
| 3,450,000 | Allegheny Energy Supply Co., LLC, Secured Notes, Series A, 10.250% due 11/15/07 (b) | 3,777,750 |
| 5,525,000 | Calpine Canada Energy Finance ULC, Sr. Notes, 8.500% due 5/1/08 (a) | 3,466,937 |
| | Calpine Corp.: | |
| 3,500,000 | Second Priority Sr. Secured Notes, 8.500% due 7/15/10 (a) (b) | 2,835,000 |
| | Sr. Notes: | |
| 500,000 | 7.875% due 4/1/08 (a) | 312,500 |
| 2,425,000 | 7.750% due 4/15/09 (a) | 1,491,375 |
| 425,000 | 8.625% due 8/15/10 (a) | 265,625 |
| 2,500,000 | Calpine Generating Co. LLC, Secured Notes, 10.250% due 4/1/11 (a) (b) | 2,262,500 |
| | Edison Mission Energy, Sr. Notes: | |
| 4,575,000 | 7.730% due 6/15/09 | 4,746,563 |
| 5,175,000 | 9.875% due 4/15/11 (a) | 5,821,875 |
| | Mirant Americas Generation, LLC, Sr. Notes: | |
| 2,075,000 | 7.625% due 5/1/06 (c) | 1,660,000 |
| 2,925,000 | 9.125% due 5/1/31 (c) | 2,310,750 |
| 9,350,000 | NRG Energy, Inc., Second Priority Sr. Secured Notes, 8.000% due 12/15/13 (b) | 9,607,125 |
| | Reliant Resources, Inc., Sr. Secured Notes: | |
| 5,325,000 | 9.250% due 7/15/10 (a) | 5,697,750 |
| 3,975,000 | 9.500% due 7/15/13 | 4,293,000 |
| | | 55,844,438 |
| | TOTAL CORPORATE BONDS | |
| | (Cost \$788,293,217) | 801,294,337 |
| CONVERTIBLE BONDS 0.9% | | |
| Consumer Non-Cyclicals 0.5% | | |
| 4,900,000 | Elan Pharmaceutical Investment, Secured Notes, 1.730% due 3/15/05 | 4,900,000 |
| Technology 0.2% | | |
| 4,450,000 | Sanmina-SCI Corp, Sub. Debentures, zero coupon due 9/12/20 | 2,347,375 |
| Telecommunications 0.2% | | |
| 2,675,000 | American Tower Corp., Notes, 5.000% due 2/15/10 | 2,651,594 |
| | TOTAL CONVERTIBLE BONDS | |
| | (Cost \$8,307,663) | 9,898,969 |
| Face Amount + | | |
| SOVEREIGN BONDS 19.7% | | |
| Argentina 0.4% | | |
| | Republic of Argentina: | |
| 4 ARS | 10.000% due 9/19/08 | |
| 3,825,000 | Discount Bond, Series L-GL, 2.4375% due 3/31/23 (c) (e) | 1,960,313 |
| 5,250,000 | Series L-GP, 6.000% due 3/31/23 (c) | 2,697,187 |
| | | 4,657,500 |
| Brazil 5.5% | | |
| | Federal Republic of Brazil: | |
| 7,000,000 | 7.33625% due 6/29/09 (e) | 7,262,500 |
| 3,000,000 | 10.500% due 7/14/14 | 3,000,000 |
| 12,365,000 | 12.250% due 3/6/30 | 13,354,200 |
| 10,940,000 | 11.000% due 8/17/40 | 10,737,610 |
| 17,632,601 | C Bonds, 8.000% due 4/15/14 | 16,635,257 |
| 6,917,647 | DCB, Series L, 2.125% due 4/15/12 (e) | 6,022,676 |
| | FLIRB, Series L: | |
| 730,769 | Bearer, 2.0625% due 4/15/09 (e) | 676,875 |
| 2,076,923 | Registered, 2.0625% due 4/15/09 (e) | 1,923,750 |
| 1,588,302 | NMB, Series L, 2.125% due 4/15/09 (e) | 1,489,033 |
| | | 61,101,901 |
| Bulgaria 0.1% | | |

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| | | |
|--------------------------------|--|------------|
| 1,350,000 | Republic of Bulgaria, 8.250% due 1/15/15 | 1,609,875 |
| Colombia 1.0% | | |
| | Republic of Colombia: | |
| 325,000 | 9.750% due 4/23/09 | 357,500 |
| 4,425,000 | 10.000% due 1/23/12 | 4,777,894 |
| 1,550,000 | 10.750% due 1/15/13 | 1,734,062 |
| 275,000 | 11.750% due 2/25/20 | 317,144 |
| 3,800,000 | 10.375% due 1/28/33 | 3,895,000 |
| | | 11,081,600 |
| Dominican Republic 0.1% | | |
| 1,050,000 | Dominican Republic, 9.500% due 9/27/06 | 803,250 |

See Notes to Schedule of Investments.

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Salomon Brothers High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Face Amount | Security* | Value |
|--------------------------|--|--------------|
| Ecuador 1.0% | | |
| | Republic of Ecuador: | |
| \$ 7,295,000 | 12.000% due 11/15/12 | \$ 6,893,775 |
| 6,015,000 | 7.000% due 8/15/30 (e) | 4,484,183 |
| | | 11,377,958 |
| El Salvador 0.0% | | |
| 425,000 | Republic of El Salvador, Bonds, Registered, 7.750% due 1/24/23 | 447,844 |
| Mexico 3.3% | | |
| | PEMEX Project Funding Master Trust: | |
| 3,100,000 | 6.125% due 8/15/08 | 3,216,250 |
| 250,000 | 7.375% due 12/15/14 | 262,500 |
| | United Mexican States: | |
| 5,220,000 | 6.375% due 1/16/13 | 5,329,620 |
| 12,819,000 | 5.875% due 1/15/14 | 12,562,620 |
| 14,620,000 | 6.625% due 3/3/15 | 14,908,745 |
| 500,000 | 8.300% due 8/15/31 | 541,625 |
| | | 36,821,360 |
| Panama 0.7% | | |
| | Republic of Panama: | |
| 3,325,000 | 9.625% due 2/8/11 | 3,740,625 |
| 2,450,000 | 9.375% due 1/16/23 | 2,560,250 |
| 1,689,509 | PDI, 2.750% due 7/17/16 (e) | 1,486,768 |
| | | 7,787,643 |
| Peru 0.7% | | |
| | Republic of Peru: | |
| 2,150,000 | 9.875% due 2/6/15 | 2,313,938 |
| 4,025,000 | 8.750% due 11/21/33 | 3,627,531 |
| | FLIRB: | |
| 1,400,000 | 4.500% due 3/7/17 (e) | 1,163,750 |
| 175,000 | 4.500% due 3/7/17 (b) (e) | 145,469 |
| | | 7,250,688 |
| Philippines 0.9% | | |
| | Republic of the Philippines: | |
| 1,900,000 | 9.375% due 1/18/17 | 1,985,500 |
| 5,000,000 | 9.875% due 1/15/19 | 5,175,000 |
| 2,175,000 | 10.625% due 3/16/25 | 2,359,875 |
| | | 9,520,375 |
| Russia 4.3% | | |
| 3,250,000 | Aries Vermoegensverwaltungs GmbH, Credit-Linked Notes, 9.600% due 10/25/14 (b) | 3,453,125 |
| | Russian Federation: | |
| 5,445,000 | 11.000% due 7/24/18 | 6,901,538 |
| 850,000 | 12.750% due 6/24/28 | 1,243,125 |
| 39,140,000 | 5.000% due 3/31/30 (e) | 35,959,875 |
| | | 47,557,663 |
| South Africa 0.1% | | |
| | Republic of South Africa: | |
| 575,000 | 9.125% due 5/19/09 | 672,031 |
| 750,000 | 6.500% due 6/2/14 | 772,500 |
| | | 1,444,531 |
| Turkey 1.0% | | |
| | Republic of Turkey: | |
| 500,000 | 11.750% due 6/15/10 | 590,000 |
| 5,350,000 | 11.500% due 1/23/12 | 6,299,625 |
| 625,000 | 11.000% due 1/14/13 | 723,437 |
| 2,350,000 | 11.875% due 1/15/30 | 3,002,125 |
| | | 10,615,187 |
| Venezuela 0.6% | | |
| | Republic of Venezuela: | |
| 7,875,000 | 5.375% due 8/7/10 | 6,546,094 |
| 425,000 | Series A, 6.750% due 3/31/20 | 391,000 |

| | |
|------------------------------|-------------|
| TOTAL SOVEREIGN BONDS | 6,937,094 |
| (Cost \$216,749,408) | 219,014,469 |

See Notes to Schedule of Investments.

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Salomon Brothers High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Face | | | Value |
|--|---|--|-------------------|
| Amount | Security* | | |
| LOAN PARTICIPATIONS (e)(f) 0.6% | | | |
| Morocco 0.6% | | | |
| \$ 7,382,250 | Kingdom of Morocco, Tranche A, 2.03125% due 1/2/09 (UBS Financial Services Inc. and J.P. Morgan Chase & Co.) (Cost \$7,077,578) | | \$ 7,280,744 |
| Shares | | | |
| COMMON STOCK (g) 3.1% | | | |
| 29,156 | Mattress Discounters Corp. (d) | | |
| 259,521 | NTL Inc. (a) | | 13,526,235 |
| 283,656 | SpectraSite, Inc. (a) | | 12,197,208 |
| 375,817 | Telewest Global Inc. (a) | | 4,246,727 |
| 691,895 | UnitedGlobalCom Inc., Class A Shares (a) | | 4,386,614 |
| TOTAL COMMON STOCK | | | |
| (Cost \$47,082,719) | | | 34,356,784 |
| ESCROW SHARES (d)(g) 0.0% | | | |
| 5,500,000 | Imperial Sugar Co. | | |
| 2,025,000 | Pillowtex Corp. | | |
| 2,648,056 | Vlasic Foods International Inc. | | 238,325 |
| TOTAL ESCROW SHARES | | | |
| (Cost \$0) | | | 238,325 |
| PREFERRED STOCK 0.4% | | | |
| 6,845 | Alamosa Holdings, Inc., Series B, 7.500% due 7/31/13 (a) | | 4,149,781 |
| | TCR Holding Corp. (d)(g) | | |
| 17,552 | Class B | | 17 |
| 52,657 | Class C | | 53 |
| 25,451 | Class D | | 25 |
| 9,654 | Class E | | 10 |
| TOTAL PREFERRED STOCK | | | |
| (Cost \$2,110,898) | | | 4,149,886 |
| Warrants/Rights | | | |
| WARRANTS AND RIGHTS (g) 0.1% | | | |
| 1,800 | American Tower Escrow Corp. (Exercise price of \$0.01 per share expiring 8/1/08. Each warrant exercisable for 14.10 shares of common stock.) | | 332,100 |
| 5,000 | Asia Pulp & Paper (Exercise price of \$7.8375 per share expiring on 3/15/05. Each warrant exercisable for 12.914 shares of common stock.) (b) (d) | | |
| 3,500 | Brown Jordan International Inc., (Exercise price of \$0.01 per share expiring 8/15/07. Each warrant exercisable for 0.2298 shares of common stock.) | | 31 |
| 30,928,049 | ContiFinancial Corp. Liquidating Trust, Units of Interest. (Represents interests in a trust in the liquidation of ContiFinancial Corp. and its affiliates.) | | 618,561 |
| 2,750 | Leap Wireless International Inc. (Exercise price of \$96.80 per share expiring 4/15/10. Each warrant exercisable for 5.146 shares of common stock.) (b)(d) | | |
| 3,500 | Mattress Discounters Corp. (Exercise price of \$0.01 per share expiring on 7/15/07. Each warrant exercisable for 4.85 shares of Class A common stock and 0.539 shares of Class L common stock.) (d) | | |
| 13,614 | Pillowtex Corp. (Exercise price of \$28.99 per share expiring on 11/24/09. Each warrant exercisable for 1 share of common stock) (d) | | 13 |
| 5,000 | Republic Technologies International Inc. (Exercise price of \$0.01 per share expiring on 7/15/07. Each warrant exercisable for 1 share of Class D common stock) | | 50 |
| 5,000 | Ubiquitel Operating Co. (Exercise price of \$22.74 per share expiring on 4/15/10. Each warrant exercisable for 5.965 shares of common stock.) (b) | | 50 |
| 57,120 | Venezuela Discount Right (d) | | |
| TOTAL WARRANTS AND RIGHTS | | | |
| (Cost \$1,207,170) | | | 950,805 |

Face

Amount

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| REPURCHASE AGREEMENTS | | 3.3% |
|------------------------------------|--|-------------------------|
| \$ 9,000,000 | Deutsche Bank Securities Inc. dated 7/30/04, 1.340% due 8/2/04; Proceeds at maturity \$9,001,005; (Fully collateralized by various U.S. Government Obligations and Agencies, 0.000% to 7.125% due 8/3/04 to 3/15/31; Market Value \$9,180,012) | 9,000,000 |
| 9,529,000 | Goldman Sachs Group Inc. dated 7/30/04, 1.360% due 8/2/04; Proceeds at maturity \$9,530,080; (Fully collateralized by various U.S. Government Obligations and Agencies, 0.000% to 8.750% due 9/2/04 to 1/15/25; Market value \$9,719,646) | 9,529,000 |
| 9,000,000 | Morgan Stanley Co. Inc. dated 7/30/04, 1.350% due 8/2/04; Proceed at maturity \$9,001,013; (Fully collateralized by various U.S. Government Obligations and Agencies, 0.000% to 8.440% due 9/15/04 to 8/6/38; Market Value \$9,269,279) | 9,000,000 |
| 9,000,000 | UBS Securities LLC dated 7/30/04, 1.350% due 8/2/04; Proceeds at maturity \$9,001,013; (Fully collateralized by various U.S. Government Obligations and Agencies, 0.000% to 8.875% due 8/3/04 to 5/15/30; Market value \$9,180,051) | 9,000,000 |
| TOTAL REPURCHASE AGREEMENTS | | |
| (Cost \$36,529,000) | | 36,529,000 |
| TOTAL INVESTMENTS | | 100.0% |
| (Cost \$1,107,357,653**) | | \$ 1,113,713,319 |

See Notes to Schedule of Investments.

Salomon Brothers High Income Fund II Inc.

Schedule of Investments (unaudited) (continued)

July 31, 2004

| Face Amount | Security* | Value |
|-------------------------------------|---|-----------------------|
| LOANED SECURITIES COLLATERAL | | |
| \$200,194,192 | State Street Navigator Securities Lending Trust Prime Portfolio | |
| | (Cost \$200,194,192) | \$ 200,194,192 |

- * All securities except for those that are on loan are segregated as collateral pursuant to a loan agreement.
- + Face amount denominated in U.S. dollars unless otherwise indicated.
- (a) All or portion of this security is on loan (See Note 2).
- (b) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to the guidelines approved by the Board of Directors.
- (c) Security is currently in default.
- (d) Security is valued in accordance with fair valuation procedures.
- (e) Rate shown reflects current rate on instrument with variable rates or step coupon rates.
- (f) Participation interest was acquired through the financial institution indicated parenthetically.
- (g) Non-income producing security.
- ** Aggregate cost for Federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

| | |
|-------|--------------------------------------|
| ARS | Argentina Peso |
| DCB | Debt Conversion Bond |
| FLIRB | Front-Loaded Interest Reduction Bond |
| NMB | New Money Bond |
| PDI | Past Due Interest |

See Notes to Schedule of Investments.

Notes to Financial Statements (unaudited)

Note 1. Significant Accounting Policies

Salomon Brothers High Income Fund II Inc. (Fund) was incorporated in Maryland and is registered as a diversified, closed-end, management investment company under the Investment Company Act of 1940, as amended. The Fund seeks to maximize current income by investing at least 80% of its net assets plus any borrowings for investment purposes in high yield debt securities (as defined in the Fund's prospectus). As a secondary objective, the Fund seeks capital appreciation to the extent consistent with its objective of seeking to maximize current income.

The significant accounting policies followed by the Fund are as follows:

(a) SECURITIES VALUATION. In valuing the Fund's assets, all securities for which market quotations are readily available are valued (i) at the last sale price prior to the time of determination if there were a sale on the date of determination, (ii) at the mean between the last current bid and asked prices if there were no sales on such date and bid and asked quotations are available, and (iii) at the bid price if there were no sales price on such date and only bid quotations are available. Publicly traded foreign government debt securities are typically traded internationally in the over-the-counter market, and are valued at the mean between the last current bid and asked price as of the close of business of that market. However, when the spread between bid and asked price exceeds five percent of the par value of the security, the security is valued at the bid price. Securities may also be valued by independent pricing services which use prices provided by market-makers or estimates of market values obtained from yield data relating to instruments or securities with similar characteristics. Short-term investments having a maturity of 60 days or less are valued at amortized cost which approximates market value. Securities for which reliable quotations are not readily available and all other securities and assets are valued at fair value as determined in good faith by, or under procedures established by, the Board of Directors.

(b) REPURCHASE AGREEMENTS. When entering into repurchase agreements, it is the Fund's policy that a custodian takes possession of the underlying collateral securities, the value of which at least equals the principal amount of the repurchase transaction, including accrued interest. To the extent that any repurchase transaction exceeds one business

Notes to Financial Statements (unaudited) (continued)

day, the value of the collateral is marked-to-market to ensure the adequacy of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

Note 2. Lending of Portfolio Securities

The Fund has an agreement with its custodian whereby the custodian may lend securities owned by the Fund to brokers, dealers and other financial organizations, and receives a lenders fee. Fees earned by the Fund on securities lending are recorded in interest income. Loans of securities by the Fund are collateralized by cash, U.S. government securities or high quality money market instruments that are maintained at all times in an amount at least equal to the current market value of the securities loaned, plus a margin which may vary depending on the type of securities loaned. The Fund maintains exposure for the risk of any losses in the investment of amounts received as collateral.

At July 31, 2004, the Fund loaned securities having a market value of \$196,207,695. The Fund received cash collateral amounting to \$200,194,192 which was invested into the State Street Navigator Securities Lending Trust Prime Portfolio.

Note 3. Loan Participations

The Fund invests in fixed and floating rate loans arranged through private negotiations between a foreign sovereign entity and one or more financial institutions. The Fund's investment in any such loan may be in the form of a participation in or an assignment of the loan. In connection with purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, nor any rights of set-off against the borrower, and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the participation. As a result, the Fund will assume the credit risk of both the borrower and the lender that is selling the participation. In the event of the insolvency of the lender selling the participation, the Fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower.

At July 31, 2004, the Fund held loan participations with a total cost of \$7,077,578 and a total market value of \$7,280,744.

Note 4. Credit and Market Risk

The yields of emerging markets debt obligations and high-yield corporate debt obligations reflect, among other things, perceived credit risk. The Fund's investment in securities rated below investment grade typically involves risks not associated with

Notes to Financial Statements (unaudited) (continued)

higher rated securities including, among others, overall greater risk of timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading. The consequences of political, social, economic or diplomatic changes may have disruptive effects on the market prices of investments held by the Fund.

Note 5. Foreign Securities

Investing in securities of foreign companies and foreign governments involves special risks and considerations not typically associated with investing in U.S. companies and the U.S. government. These risks include revaluation of currencies and future adverse political and economic developments. Moreover, securities of many foreign companies and foreign governments and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. companies and the U.S. government.

Note 6. Loan

At July 31, 2004, the Fund had outstanding a \$300,000,000 loan pursuant to a revolving credit and security agreement with Crown Point Capital Company, LLC and Citicorp North America Inc. (CNA), an affiliate of SBAM. CNA acts as an administrative agent. The loans generally bear interest at a variable rate based on the weighted average interest rates of the underlying commercial paper or LIBOR, plus any applicable margin. Securities held by the Fund are subject to a lien, granted to the lenders, to the extent of the borrowing outstanding and any additional expenses.

ITEM 2. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the disclosure controls and procedures required by Rule 30a-3(b) under the 1940 Act and 15d-15(b) under the Securities Exchange Act of 1934.
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are likely to materially affect the registrant's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940, as amended, are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Salomon Brothers High Income Fund II Inc.

By /s/ R. JAY GERKEN
 R. Jay Gerken
 Chief Executive Officer

Date September 29, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ R. JAY GERKEN
 R. Jay Gerken
 Chief Executive Officer

Date September 29, 2004

By /s/ FRANCES M. GUGGINO
 Frances M. Guggino
 Chief Financial Officer

Date September 29, 2004