SALOMON BROTHERS EMERGING MARKETS INCOME FUND INC
Form N-CSRS
May 08, 2006

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 **811-7066**

Salomon Brothers Emerging Markets Income Fund 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.

Legg Mason & Co., LLC

300 First Stamford Place, 4th Fl.

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: **August 31**

Date of reporting period: **February 28, 2006**

ITEM 1. REPORT TO STOCKHOLDERS.

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

SEMI-ANNUAL

REPORT

FEBRUARY 28, 2006

Salomon Brothers

Emerging Markets Income Fund Inc.

Salomon Brothers

Emerging Markets

Income Fund Inc.

Semi-Annual Report February 28, 2006

What s

Inside

Fund Objective

The Fund s primary investment objective is to seek high current income. As a secondary objective, the Fund seeks capital appreciation.

Letter from the Chairman

R. JAY GERKEN, CFA

Chairman and Chief Executive Officer

Dear Shareholder,

The U.S. economy was mixed during the six-month reporting period. Early in the period, the economy overcame several headwinds, including high oil prices, rising short-term interest rates and geopolitical issues. After a 3.3% advance in the second quarter of 2005, third quarter gross domestic product (GDP[i]) growth was a strong 4.1%. This marked the tenth consecutive quarter that GDP growth surpassed 3.0%. However, there were conflicting economic signals in the fourth quarter. While the Labor Department announced that the unemployment rate fell to 4.7% in January 2006, its lowest level in four years, the fourth quarter GDP growth was 1.7%. This decline was, in large part, due to slower consumer spending.

Given the economic expansion and inflationary concerns, the Federal Reserve Board (Fed[ii]) continued to raise interest rates throughout the period. After raising rates ten times from June 2004 through August 2005, the Fed increased its target for the federal funds rate[iii] in 0.25% increments four additional times over the reporting period. This represents the longest sustained Fed tightening cycle since the 1970s. All told, the Fed s fourteen rate hikes have brought the target for the federal funds rate from 1.00% to 4.50%. After the end of the Fund s reporting, at it s March meeting, the Fed raised the federal funds rate by an additional 0.25% to 4.75%.

As expected, both short- and long-term yields rose over the reporting period. During the six months ended February 28, 2006, two-year Treasury yields increased from 3.72% to 4.69%. Over the same period, 10-year Treasury yields moved from 4.02% to 4.55%. As these figures show, at the end of the reporting period the yield curve was inverted, as the yield on two-year Treasuries surpassed that of 10-year Treasuries. This anomaly has historically foreshadowed an economic slowdown or recession. However, some experts, including new Fed Chairman Ben Bernanke, believe the inverted yield curve is largely a function of strong foreign demand for longer-term bonds. Looking at the six-month period as a whole, the overall bond market, as measured by the Lehman Brothers U.S. Aggregate Index[iv], returned 0.11%.

The high yield market generated a modest gain during the reporting period. While corporate balance sheets continued to strengthen and corporate profits were generally strong, these positive developments took a back seat to the highly publicized downgrades of General Motors Corporation and Ford Motor Company. During the six-month period ended February 28, 2006, the Citigroup High Yield Market Index[v] returned 1.45%.

Emerging markets debt continued to produce strong results over the reporting period, as the JPMorgan Emerging Markets Bond Index Global (EMBI Global[vi]) returned 7.17%. Improving domestic spending and high energy and commodity prices supported many emerging market countries. In addition, many emerging market countries have strengthened their balance sheets in recent years. This more than offset the potential negatives associated with rising U.S. interest rates.

Performance Review

For the six months ended February 28, 2006, the Salomon Brothers Emerging Markets Income Fund Inc. returned 8.29%, based on its net asset value (NAV[vii]) and 6.07% based on its New York Stock Exchange (NYSE) market price per share. In comparison, the Fund s unmanaged benchmark, the EMBI Global, returned 7.17% for the same time frame. The Lipper Emerging Markets Debt Closed-End Funds Category Average[viii] increased 8.39%. Please note that Lipper performance returns are based on each funds NAV per share.

During this six-month period, the Fund made distributions to shareholders totaling $2.5838 per share, (which may have included a return of capital). The performance table on the next page shows the Fund s six-month total return based on its NAV and market price as of February 28, 2006. **Past performance is no guarantee of future results.**

Performance Snapshot as of February 28, 2006 (unaudited)

Price Per Share	Six-Month Total Return
$16.25 (NAV)	8.29%
$15.98 (Market Price)	6.07%

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. Total return based on NAV reflects a voluntary fee waiver. In absence of this voluntary waiver, the total return would have been lower.

Special Shareholder Notice

On December 1, 2005, Citigroup Inc. (Citigroup) completed the sale of substantially all of its asset management business, Citigroup Asset Management (CAM), to Legg Mason, Inc. (Legg Mason). As a result, the Fund s investment adviser (the Manager), previously an indirect wholly-owned subsidiary of Citigroup, became a wholly-owned subsidiary of Legg Mason. Completion of the sale caused the Fund s then existing investment management contract to terminate. The Fund s shareholders previously approved a new investment management contract between the Fund and the Manager, which became effective on December 1, 2005.

As previously described in proxy statements that were mailed to shareholders of the Fund in connection with the transaction, Legg Mason intends to combine the fixed-income operations of the Manager with those of Legg Mason s wholly-owned subsidiary, Western Asset Management Company, and its affiliates, (Western Asset). This combination will involve Western Asset and the Manager sharing common systems and procedures, employees (including portfolio managers), investment trading platforms, and other resources. At a future date Legg Mason expects to recommend to the Board of Directors of the Fund that Western Asset be appointed as the advisor or sub-advisor to the Fund, subject to applicable regulatory requirements.

The portfolio management team of S. Kenneth Leech, Stephen A. Walsh, Keith J. Gardner and Matthew C. Duda assumed portfolio management responsibilities for the Fund in mid-March 2006. Mr. Leech, Mr. Walsh, Mr. Gardner and Mr. Duda have been employed by Western Asset for more than five years.

The Board is working with the Manager, Western Asset, and the portfolio managers to implement an orderly combination of the Manager s fixed-income operations and Western Asset in the best interests of the Fund and its shareholders.

Information About Your Fund

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

Important information concerning the Fund and its Manager with regard to recent regulatory developments is contained in the Notes to Financial Statements included in this report.

Looking for Additional Information?

The Fund is traded under the symbol EMD and its closing market price is available in many newspapers under the NYSE listings. The daily NAV is available on-line under symbol XEMDX. *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.leggmason.com/InvestorServices.

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.

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 and Chief Executive Officer

March 30, 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: The Fund may invest in high yield and foreign securities, including emerging markets, which involve risks beyond those inherent in solely higher-rated and domestic investments. High yield bonds involve greater credit and liquidity risks than investment grade bonds. 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. Derivatives, such as options or futures, can be illiquid and harder to value, especially in declining markets. A small investment in certain derivatives may have a potentially large impact on the Fund s performance.

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 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.

[iii] 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.

[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 Lipper, Inc. is a major independent mutual-fund tracking organization. Returns are based on the 6-month period ended February 28, 2006, including the reinvestment of distributions, including returns of capital, if any, calculated among the 13 funds in the Fund s Lipper category, and excluding sales charges.

Fund at a Glance (unaudited)

Schedule of Investments (February 28, 2006) (unaudited)

SALOMON BROTHERS EMERGING MARKETS INCOME FUND INC.

Face Amount	Security(a)	Value
SOVEREIGN BONDS 87.2%		
Argentina 4.5%		
	Republic of Argentina:	
1,000,000EUR	9.000% due 4/26/06 (b)	$ 387,449
550,000EUR	8.250% due 7/6/10 (b)	209,818
950,000DEM	11.750% due 11/13/26 (b)	181,680
500,000DEM	7.000% due 3/18/04 (b)	99,049
3,630,710ARS	Discount Bonds, 5.830% due 12/31/33 (c)	1,466,006
	GDP-Linked Securities:	
10,662,020ARS	0.000% due 12/15/35 (c)	225,633
600,000EUR	0.000% due 12/15/35 (c)	54,720
490,000	0.000% due 12/15/35 (c)	37,852
	Medium-Term Notes:	
1,000,000EUR	10.000% due 2/22/07 (b)	399,370
500,000,000ITL	7.000% due 3/18/04 (b)	100,051
490,000	Par Bonds, step bond to yield 1.330% due 12/31/38 (c)	197,715
	Total Argentina	3,359,343
Brazil 19.2%		
	Federative Republic of Brazil:	
550,000	7.875% due 3/7/15	617,513
	Collective Action Securities:	
5,188,000	8.000% due 1/15/18	5,818,342
755,000	8.750% due 2/4/25	917,325
5,976,283	DCB, Series L, 5.250% due 4/15/12 (c)	5,977,777
969,230	FLIRB, Series L, 5.188% due 4/15/09 (c)	969,836
	Total Brazil	14,300,793
Bulgaria 1.7%		
1,055,000	Republic of Bulgaria, 8.250% due 1/15/15 (d)	1,266,000
Chile 1.6%		
1,225,000	Republic of Chile, Collective Action Securities, 5.060% due 1/28/08 (c)	1,232,595
China 0.6%		
425,000	People s Republic of China, 4.750% due 10/29/13	416,264
Colombia 4.9%		
	Republic of Colombia:	
225,000	10.750% due 1/15/13	288,562
175,000	8.125% due 5/21/24	205,013
460,000	10.375% due 1/28/33	671,600
1,645,000	Medium-Term Notes, 11.750% due 2/25/20	2,462,565
	Total Colombia	3,627,740
Ecuador 1.3%		
1,005,000	Republic of Ecuador, step bond to yield 10.029% due 8/15/30 (d)	996,960

See Notes to Financial Statements.

Schedule of Investments (February 28, 2006) (unaudited) (continued)

Face Amount	Security(a)	Value
El Salvador 1.8%		
	Republic of El Salvador:	
670,000	7.750% due 1/24/23 (d)	$ 759,613
490,000	8.250% due 4/10/32 (d)	575,750
	Total El Salvador	1,335,363
Malaysia 2.8%		
	Federation of Malaysia:	
1,125,000	8.750% due 6/1/09	1,244,122
750,000	7.500% due 7/15/11	829,961
	Total Malaysia	2,074,083
Mexico 14.0%		
	United Mexican States:	
325,000	11.375% due 9/15/16	478,238
	Medium-Term Notes:	
935,000	8.300% due 8/15/31	1,227,187
	Series A:	
960,000	6.375% due 1/16/13	1,012,800
6,300,000	6.625% due 3/3/15	6,838,650
200,000	8.000% due 9/24/22	248,000
550,000	Series XW, 10.375% due 2/17/09	627,687
	Total Mexico	10,432,562
Panama 3.2%		
	Republic of Panama:	
725,000	9.625% due 2/8/11	850,063
320,000	8.875% due 9/30/27	402,400
340,000	9.375% due 4/1/29	446,250
686,000	6.700% due 1/26/36	699,720
	Total Panama	2,398,433
Peru 6.0%		
	Republic of Peru:	
70,000	9.125% due 2/21/12	81,095
965,000	9.875% due 2/6/15	1,201,425
1,935,500	FLIRB, 5.000% due 3/7/17 (c)	1,887,112
	Global Bonds:	
185,000	8.375% due 5/3/16	214,600
825,000	7.350% due 7/21/25	872,438
191,060	PDI, 5.000% due 3/7/17 (c)	187,239
	Total Peru	4,443,909
Philippines 4.5%		
	Republic of the Philippines:	
150,000	8.375% due 3/12/09	160,687
675,000	9.000% due 2/15/13	760,185
125,000	8.875% due 3/17/15	141,875
1,550,000	10.625% due 3/16/25	2,015,000
225,000	9.500% due 2/2/30	269,719

Total Philippines	3,347,466

See Notes to Financial Statements.

Schedule of Investments (February 28, 2006) (unaudited) (continued)

Face Amount	Security(a)	Value
Poland 0.9%		
700,000	Republic of Poland, 5.250% due 1/15/14	$ 704,813
Russia 4.9%		
	Russian Federation:	
750,000	11.000% due 7/24/18 (d)	1,110,000
275,000	12.750% due 6/24/28 (d)	509,437
1,810,000	Step bond to yield 4.086% due 3/31/30 (d)	2,045,300
	Total Russia	3,664,737
South Africa 1.6%		
1,075,000	Republic of South Africa, 6.500% due 6/2/14	1,162,344
Turkey 7.0%		
	Republic of Turkey:	
250,000	11.750% due 6/15/10	306,250
775,000	11.500% due 1/23/12	987,156
75,000	11.000% due 1/14/13	96,281
1,600,000	7.000% due 6/5/20	1,662,000
605,000	11.875% due 1/15/30	960,437
	Collective Action Securities:	
675,000	9.500% due 1/15/14	814,219
350,000	7.375% due 2/5/25	374,063
	Total Turkey	5,200,406
Ukraine 1.5%		
	Republic of Ukraine:	
675,000	8.235% due 8/5/09 (c)(d)	729,000
380,000	7.650% due 6/11/13 (d)	410,400
	Total Ukraine	1,139,400
Uruguay 1.0%		
	Republic of Uruguay, Benchmark Bonds:	
175,000	7.500% due 3/15/15	186,375
554,382	7.875% due 1/15/33 (e)	595,961
	Total Uruguay	782,336
Venezuela 4.2%		
	Bolivarian Republic of Venezuela:	
75,000	5.375% due 8/7/10 (d)	73,406
1,053,000	8.500% due 10/8/14	1,200,420
425,000	7.650% due 4/21/25	463,781
	Collective Action Securities:	
700,000	10.750% due 9/19/13	885,150
200,000	9.375% due 1/13/34	261,400
250,000	Par Bonds, Series B, 6.750% due 3/31/20	250,375
	Total Venezuela	3,134,532
		65,020,079

TOTAL SOVEREIGN BONDS
(Cost $58,511,097)

See Notes to Financial Statements.

Schedule of Investments (February 28, 2006) (unaudited) (continued)

Face Amount	Security(a)	Value
CORPORATE BONDS & NOTES 9.6%		
Chile 0.3%		
225,000	Corporacion Nacional del Cobre-Codelco, Notes, 5.500% due 10/15/13 (d)	$ 227,764
Mexico 5.1%		
	Pemex Project Funding Master Trust:	
115,000	6.125% due 8/15/08	117,357
800,000	9.125% due 10/13/10	922,000
1,800,000	8.000% due 11/15/11	2,007,000
275,000	Guaranteed Bonds, 9.500% due 9/15/27	376,062
4,000,000MXN	Telefonos de Mexico S.A. de C.V., 8.750% due 1/31/16	388,355
	Total Mexico	3,810,774
Russia 4.2%		
2,400,000	Gaz Capital SA, 8.625% due 4/28/34 (d)	3,120,000
	TOTAL CORPORATE BONDS & NOTES (Cost $6,637,747)	**7,158,538**
Warrants		
WARRANTS 0.3%		
1,500	Bolivarian Republic of Venezuela, Oil-linked payment obligations, Expires 4/15/20*	48,000
1,600	United Mexican States, Series XW05, Expires 11/9/06*	56,800
1,300	United Mexican States, Series XW10, Expires 10/10/06*	60,450
1,200	United Mexican States, Series XW20, Expires 9/1/06*	96,000
	TOTAL WARRANTS (Cost $166,000)	**261,250**

Contracts