

MUNICIPAL HIGH INCOME FUND INC
Form N-CSR
June 27, 2003

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 811-5497

Municipal High 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)

Christina T. Sydor, Esq.
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 end: October 31
Date of reporting period: April 30, 2003

ITEM 1. REPORT TO STOCKHOLDERS.

The Semi-Annual Report to Stockholders is filed herewith.

[CLIP ART]

Municipal
High Income
Fund Inc.

[GRAPHIC OMITTED]

Semi-Annual
Report

[CLIP ART]

April 30,
2003

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[CLIP ART]
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Municipal High Income Fund Inc.

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/s/ R. Jay Gerken

R. Jay Gerken
Chairman, President and Chief Executive Officer

May 14, 2003

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===== [CLIP ART] =====

Take Advantage of the Fund's Dividend Reinvestment Plan!

Did you know that Fund investors may reinvest their dividends in an effort to take advantage of what can be one of the most effective wealth-building tools available today? When the Fund achieves its objectives, systematic investments by shareholders put time to work for them through the strength of compounding.

As an investor in the Fund, you can participate in its Dividend Reinvestment Plan ("Plan"), a convenient, simple and efficient way to reinvest your dividends and capital gains, if any, in additional shares of the Fund. A more complete description of the Plan begins on page 24. Below is a short summary of how the Plan works.

Plan Summary

If you are a Plan participant who has not elected to receive your dividends in the form of a cash payment, then your dividend and capital gain distributions will be reinvested automatically in additional shares of the Fund.

The number of common stock shares in the Fund you will receive in lieu of a cash dividend is determined in the following manner. If the market price of the common stock is equal to or higher than 98% of the net asset value ("NAV") per share on the date of valuation, you will be issued shares for the equivalent of either 98% of the most recently determined NAV per share or 95% of the market price, whichever is greater.

If 98% of the NAV per share at the time of valuation is greater than the market price of the common stock, the Fund will buy common stock for your account in the open market or on the New York Stock Exchange.

If the Fund begins to purchase additional shares in the open market and the market price of the shares subsequently rises above 98% of the NAV before the purchases are completed, the Fund will attempt to cancel any remaining orders and issue the remaining dividend or distribution in shares at 98% of the Fund's NAV per share. In that case, the number of Fund shares you receive will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues the remaining shares.

To find out more detailed information about the Plan and about how you can participate, please call PFPC Global Fund Services at 1 (800) 331-1710.

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[CLIP ART] Municipal High Income Fund Inc.
Schedule of Investments (unaudited)
April 30, 2003

| FACE AMOUNT | RATING (a) | SECURITY | VALU |
|--------------------|------------|--|----------|
| Alabama -- 3.8% | | | |
| \$ 4,000,000 | BB+ | Butler, AL IDB, Solid Waste Disposal Revenue, (James River Corp. Project), 8.000% due 9/1/28 (b)..... | \$ 3,722 |
| 615,000 | NR | Capstone Improvement District of Brookwood, AL, Series A, 7.700% due 8/15/23 (c)..... | 153 |
| 1,000,000 | CCC | Mobile, AL IDB, Solid Waste Disposal Revenue, (Mobile Energy Services Co. Project), 6.950% due 1/1/20 (c)..... | 7 |
| 1,000,000 | NR | Rainbow City, AL Special Health Care Facility Financing Authority, Series A, 8.250% due 1/1/31..... | 1,036 |
| 1,000,000 | AAA | West Jefferson, AL Amusement & Public Park Authority Revenue, (Visionland Project), (Pre-Refunded-- Escrowed with U.S. government securities to 12/1/06 Call @ 102), 8.000% due 12/1/26..... | 1,229 |
| | | | 6,148 |
| Alaska -- 0.7% | | | |
| 1,055,000 | NR | Alaska Industrial Development & Export Authority Revenue, Williams Lynxs Alaska Cargoport, 8.125% due 5/1/31 (b)..... | 1,096 |
| Arizona -- 3.3% | | | |
| 1,500,000 | NR | Casa Grande, AZ IDA, Hospital Revenue, Casa Grande Regional Medical Center, Series A, 7.625% due 12/1/29..... | 1,548 |
| 1,750,000 | Ca* | Gila County, AZ IDA Revenue, ASARCO Inc., 5.550% due 1/1/27..... | 420 |
| | | Maricopa, AZ IDA, MFH Revenue: | |
| 485,000 | NR | Avalon Apartments Project, Series C, 10.000% due 4/1/30..... | 478 |
| 960,000 | NR | Gran Victoria Housing LLC Project, Series B, 10.000% due 5/1/31 (d) (e)..... | 978 |
| 1,820,000 | A3* | Phoenix, AZ IDA, MFH Revenue, (Ventana Palms Apartments Project), Series B, 8.000% due 10/1/34..... | 1,835 |
| | | | 5,261 |
| Arkansas -- 1.1% | | | |
| | | Arkansas State Development Finance Authority: | |
| 1,000,000 | BBB++ | Hospital Revenue, (Washington Regional Medical Center Project), 7.375% due 2/1/29 (d)..... | 1,079 |
| 600,000 | BB+ | Industrial Facilities Revenue, (Potlatch Corp. Projects), Series A, 7.750% due 8/1/25 (b)..... | 599 |
| | | | 1,679 |
| California -- 4.1% | | | |
| 1,500,000 | NR | Barona, CA Band of Mission Indians, GO, | |

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| | | | |
|-----------|------|--|-------|
| | | 8.250% due 1/1/20 (d)..... | 1,612 |
| 3,000,000 | A3* | California State Department of Water Resources, Power Supply | |
| | | Revenue, Series A, 5.375% due 5/1/21 (d)..... | 3,133 |
| 1,865,000 | Ba3* | Vallejo, CA COP, Touro University, 7.375% due 6/1/29..... | 1,922 |
| | | | ----- |
| | | | 6,667 |
| | | | ----- |

See Notes to Financial Statements.

[CLIP ART] Municipal High Income Fund Inc.
Schedule of Investments (unaudited) (continued)
April 30, 2003

| FACE | | | | VALU |
|---------------------|------------|--|--|----------|
| AMOUNT | RATING (a) | SECURITY | | |
| ===== | | | | |
| Colorado -- 0.6% | | | | |
| \$ 999,000 | NR | Highline Business Improvement District, Littleton, CO GO, Series B, 8.750% due 12/15/19..... | | \$ 1,001 |
| | | | | ----- |
| Connecticut -- 2.0% | | | | |
| | | Connecticut State Development Authority: | | |
| 1,735,000 | NR | Aquarium Project Revenue, (Mystic Marinelife Aquarium Project), Series A, 7.000% due 12/1/27 (d)..... | | 1,781 |
| 1,435,000 | NR | Health Care Revenue, (Independent Living Project), Series B, (Pre-Refunded -- Escrowed with state & local government securities to 7/1/03 Call @ 102), 8.000% due 7/1/17..... | | 1,478 |
| | | | | ----- |
| | | | | 3,260 |
| | | | | ----- |
| Delaware -- 0.6% | | | | |
| 1,000,000 | NR | Sussex County, DE Assisted Living Facilities Revenue, (Heritage at Milford Project), 7.250% due 7/1/29..... | | 884 |
| | | | | ----- |
| Florida -- 11.3% | | | | |
| 2,000,000 | AAA | Broward County, FL Water & Sewer Utility Revenue, MBIA-Insured, 5.000% due 10/1/23 (d)..... | | 2,080 |
| | | Capital Projects Finance Authority, FL: | | |
| 2,000,000 | NR | Continuing Care Retirement, Glenridge on Palmer Ranch, Series A, 8.000% due 6/1/32 (d)..... | | 1,964 |
| 2,000,000 | NR | Student Housing Revenue, Florida University, Series A, 7.850% due 8/15/31 (d)..... | | 2,032 |
| 1,000,000 | NR | Century Parc Community Development District, FL Special Assessment, 7.000% due 11/1/31 (d)..... | | 1,028 |
| | | Hillsborough County, FL: | | |
| 1,285,000 | AAA | Aviation Authority Revenue, Tampa International Airport, Series B, MBIA-Insured, 5.000% due 10/1/20 (b)..... | | 1,307 |
| 2,750,000 | NR | IDA Revenue, (Lakeshore Villas Project), Series A, 6.750% due 7/1/29..... | | 2,228 |
| 875,000 | NR | Homestead, FL IDR, Community Rehabilitation Providers | | |

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| | | | |
|-----------|-------|--|--------|
| | | Program, Series A, 7.950% due 11/1/18..... | 899 |
| 2,000,000 | BBB++ | Martin County, FL IDA, IDR, (Indiantown Cogeneration Project), Series A, 7.875% due 12/15/25 (b) (d)..... | 2,080 |
| 1,000,000 | NR | Orange County, FL Health Facilities Authority Revenue, First Mortgage, (GF/Orlando, Inc. Project), 9.000% due 7/1/31..... | 1,027 |
| 2,000,000 | NR | Reunion East Community Development District, FL Special Assessment, Series A, 7.375% due 5/1/33..... | 2,072 |
| 1,500,000 | NR | Waterlefe Community Development District, FL Golf Course Revenue, 8.125% due 10/1/25..... | 1,539 |
| | | | ----- |
| | | | 18,261 |
| | | | ----- |

See Notes to Financial Statements.

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[CLIP ART] Municipal High Income Fund Inc.
Schedule of Investments (unaudited) (continued)
April 30, 2003

| FACE AMOUNT | RATING (a) | SECURITY | VALU |
|------------------|------------|---|----------|
| ===== | | | |
| Georgia -- 4.5% | | | |
| \$ 1,000,000 | AAA | Atlanta, GA Airport Revenue, Series B, FGIC-Insured, 5.625% due 1/1/30 (b)..... | \$ 1,052 |
| 2,500,000 | NR | Atlanta, GA Tax Allocation, (Atlantic Station Project), 7.900% due 12/1/24 (d)..... | 2,538 |
| 1,000,000 | NR | Atlanta, GA Urban Residential Finance Authority, MFH Revenue, Park Place Apartments, Series A, 6.750% due 3/1/31..... | 941 |
| 1,000,000 | NR | Gainesville & Hall County, GA Development Authority Revenue, Senior Living Facility, Lanier Village Estates, Series C, 7.250% due 11/15/29..... | 1,028 |
| 1,435,000 | NR | Savannah, GA EDA Revenue, Marshview Inn, Series A, 7.125% due 7/1/29..... | 789 |
| 1,005,000 | NR | Walton County, GA IDA, IDR, (Walton Manufacturing Co. Project), 8.500% due 9/1/07..... | 913 |
| | | | ----- |
| | | | 7,264 |
| | | | ----- |
| Illinois -- 1.3% | | | |
| 2,000,000 | AAA | Chicago, IL GO, Neighborhoods Alive 21 Program, FGIC-Insured, 5.500% due 1/1/31..... | 2,117 |
| | | | ----- |
| Indiana -- 1.8% | | | |
| 2,500,000 | B- | East Chicago, IN PCR, (Inland Steel Co. Project No. 10), 6.800% due 6/1/13..... | 1,575 |
| 1,000,000 | CCC | Indiana State Development Finance Authority, PCR, (Inland Steel Co. Project No. 13), 7.250% due 11/1/11 (b)..... | 402 |
| 975,000 | NR | Indianapolis, IN MFH Revenue, (Lake Nora Fox Club Project), Series B, 7.500% due 10/1/29..... | 852 |
| | | | ----- |
| | | | 2,830 |

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| | | | | |
|-------------------|-------|--|--|-------|
| Kentucky -- 0.7% | | | | ----- |
| 1,500,000 | BB- | Kenton County, KY Airport Board Revenue, (Delta Airlines Project), Series A, 7.500% due 2/1/20 (b)..... | | 1,110 |
| Louisiana -- 6.7% | | | | ----- |
| 1,200,000 | Baa2* | Lake Charles, LA Harbor & Terminal District, Port Facilities Revenue, (Trunkline LNG Co. Project), 7.750% due 8/15/22..... | | 1,245 |
| 2,000,000 | NR | Louisiana Local Government Environmental Facilities, Community Development Authority Revenue, St. James Place, Series A, 8.000% due 11/1/25..... | | 1,959 |
| 2,975,000 | NR | Louisiana Public Facilities Authority Hospital Revenue, (Lake Charles Memorial Hospital Project), 8.625% due 12/1/30..... | | 2,718 |
| | | Port of New Orleans, LA IDR: | | |
| 645,000 | NR | Avondale Industries, Inc. Project: ETM with U.S. government securities, 8.250% due 6/1/04 (f)..... | | 669 |

See Notes to Financial Statements.

Municipal High Income Fund Inc.
Schedule of Investments (unaudited) (continued)
April 30, 2003

| FACE AMOUNT | RATING (a) | SECURITY | VALU |
|--|------------|--|----------|
| ===== | | | |
| Louisiana -- 6.7% (continued) | | | |
| \$ 2,845,000 | NR | Pre-Refunded -- Escrowed with U.S. government securities to 6/1/01 Call @ 103, 8.500% due 6/1/14 (d)(f)..... | \$ 3,118 |
| 1,000,000 | BB- | Continental Grain Co. Project, 7.500% due 7/1/13..... | 1,022 |
| | | | ----- |
| | | | 10,733 |
| Maryland -- 1.8% | | | |
| 3,000,000 | NR | Maryland State Economic Development Corp. Revenue, Chesapeake Bay, Series A, 7.730% due 12/1/27 (d)..... | 2,851 |
| ----- | | | |
| Massachusetts -- 5.5% | | | |
| Boston, MA IDA Financing Revenue: | | | |
| 750,000 | NR | Crosstown Center Project, 8.000% due 9/1/35 (b)..... | 752 |
| 970,000 | NR | Roundhouse Hospitality LLC Project, 7.875% due 3/1/25 (b)..... | 987 |
| Massachusetts State Development Finance Agency Revenue: | | | |
| 1,100,000 | NR | Alliance Health Care Facility, Series A, 7.100% due 7/1/32.... | 1,082 |
| 1,000,000 | NR | Briarwood, Series B, 8.250% due 12/1/30..... | 1,051 |
| Massachusetts State Health & Education Facilities Authority Revenue: | | | |
| 1,000,000 | AAA | Beth Israel Deaconess Medical Center, Series G-4, AMBAC-Insured, Variable Rate INFLOS, | |

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|------------------|-----|---|-------|
| | | 10.712% due 7/1/25 (g)..... | 1,031 |
| 1,000,000 | BBB | Caritas Christi Obligation, Series B, 6.750% due 7/1/16..... | 1,055 |
| 895,000 | AA | Massachusetts State HFA, Single-Family Housing Revenue, Series 38, 7.200% due 12/1/26 (b)..... | 932 |
| 1,965,000 | NR | Massachusetts State Industrial Finance Agency Revenue, Assisted Living Facility, (Marina Bay LLC Project), 7.500% due 12/1/27 (b)..... | 1,987 |
| | | | ----- |
| | | | 8,881 |
| | | | ----- |
| Michigan -- 2.4% | | | |
| 1,000,000 | NR | Cesar Chavez Academy, COP, 8.000% due 2/1/33..... | 1,001 |
| | | Garden City, MI Hospital Finance Authority, Hospital Revenue, Garden City Hospital Obligation Group, Series A: 5.625% due 9/1/10..... | 1,686 |
| 2,000,000 | B1* | 5.750% due 9/1/17..... | 751 |
| 1,000,000 | B1* | | |
| 2,000,000 | NR | Michigan State Strategic Fund, Resource Recovery Limited Obligation Revenue, Central Wayne Energy Recovery L.P., Series A, 6.900% due 7/1/19 (b) (c)..... | 500 |
| | | | ----- |
| | | | 3,938 |
| | | | ----- |

See Notes to Financial Statements.

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Municipal High Income Fund Inc.
Schedule of Investments (unaudited) (continued)
April 30, 2003

[CLIP ART]

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| FACE | | | | VALU |
|--------------------|------------|---|----|-------|
| AMOUNT | RATING (a) | SECURITY | | |
| ===== | | | | |
| Minnesota -- 1.4% | | | | |
| \$ 1,000,000 | NR | Minneapolis & St. Paul, MN Metropolitan Airports Community Special Facility Revenue, (Northwest Airlines Project), Series A, 7.000% due 4/1/25 (b)..... | \$ | 660 |
| 1,865,000 | Ba2* | St. Paul, MN Housing & Redevelopment Authority Hospital Revenue, (Healtheast Project), Series A, 6.625% due 11/1/17..... | | 1,663 |
| | | | | ----- |
| | | | | 2,323 |
| | | | | ----- |
| Missouri -- 0.2% | | | | |
| 250,000 | NR | St. Joseph, MO IDA, (Living Community of St. Joseph Project), 7.000% due 8/15/32..... | | 250 |
| | | | | ----- |
| Montana -- 2.1% | | | | |
| 4,520,000 | NR | Montana State Board of Investment, Resource Recovery Revenue, (Yellowstone Energy L.P. Project), 7.000% due 12/31/19 (b) (d)..... | | 3,419 |
| | | | | ----- |
| New Jersey -- 3.5% | | | | |

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|--------------------|------|---|-------|-------|
| | | New Jersey EDA, Series A: | | |
| 1,000,000 | NR | Healthcare Facility Revenue, (Sayreville Senior Living Project), 6.375% due 4/1/29 (c)..... | 420 | |
| 1,000,000 | NR | Retirement Community Revenue, 8.250% due 11/15/30..... | 1,086 | |
| 3,000,000 | BBB- | New Jersey Health Care Facilities Financing Authority Revenue, Trinitas Hospital Obligation Group, 7.500% due 7/1/30 (d)..... | 3,296 | |
| 1,000,000 | A- | Tobacco Settlement Financing Corp. Revenue, 6.750% due 6/1/39..... | 884 | |
| | | | ----- | 5,687 |
| | | | ----- | |
| New Mexico -- 0.1% | | | | |
| 175,000 | AAA | New Mexico Mortgage Finance Authority, Single-Family Mortgage Program, Series B, FHA-Insured, 8.300% due 3/1/20 (b)..... | 178 | |
| | | | ----- | |
| New York -- 5.5% | | | | |
| 700,000 | NR | Brookhaven, NY IDA, Civic Facility Revenue, Memorial Hospital Medical Center, Series A, 8.250% due 11/15/30..... | 748 | |
| | | Monroe County, NY IDA: | | |
| 1,900,000 | NR | Empire Sports Project, Series A, 6.250% due 3/1/28..... | 1,172 | |
| 1,000,000 | NR | Woodland Village Project, 8.550% due 11/15/32..... | 1,066 | |
| | | New York City, NY IDA, Civic Facility Revenue: | | |
| 1,380,000 | NR | Community Residence for the Developmentally Disabled, 7.500% due 8/1/26..... | 1,448 | |
| 1,335,000 | NR | Special Needs Facility Pooled Program, Series A-1, 8.125% due 7/1/19..... | 1,433 | |

See Notes to Financial Statements.

[CLIP ART] Municipal High Income Fund Inc.
Schedule of Investments (unaudited) (continued)
April 30, 2003

| FACE | | | | VALU |
|------------------------------|------------|--|--------|-------|
| AMOUNT | RATING (a) | SECURITY | | |
| ===== | | | | |
| New York -- 5.5% (continued) | | | | |
| | | Suffolk County, NY IDA, Civic Facility Revenue, Southampton Hospital Association: | | |
| | | Series A: | | |
| \$ 1,000,000 | NR | 7.250% due 1/1/20..... | \$ 973 | |
| 990,000 | NR | 7.750% due 1/1/22..... | 997 | |
| 1,000,000 | NR | Series B, 7.625% due 1/1/30..... | 1,002 | |
| | | | ----- | 8,843 |
| | | | ----- | |
| North Carolina -- 2.5% | | | | |
| 1,000,000 | NR | Charlotte, NC Special Facilities Revenue, Charlotte/Douglas International Airport, 5.600% due 7/1/27 (b)(c)..... | 685 | |
| | | North Carolina Medical Care Commission, Health Care Facilities Revenue, First Mortgage, (De Paul Community | | |

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|----------------------|------|---|-------|
| | | Facilities Project): | |
| 1,240,000 | NR | 6.125% due 1/1/28..... | 1,126 |
| 995,000 | NR | 7.625% due 11/1/29..... | 1,023 |
| 1,000,000 | AAA | North Carolina Municipal Power Agency, Catawba Electric Revenue, MBIA-Insured, Variable Rate FLAIRS, 12.591% due 1/1/11..... | 1,250 |
| | | | ----- |
| | | | 4,085 |
| | | | ----- |
| Ohio -- 3.4% | | | |
| 1,500,000 | BBB | Cuyahoga County, OH Hospital Facilities Revenue, (Canton Inc. Project), 7.500% due 1/1/30..... | 1,662 |
| | | Montgomery County, OH Health Systems Revenue, Series B-1, (Escrowed with state & local government securities to 7/1/06 Call @ 102): | |
| 1,035,000 | AAA | Pre-Refunded, 8.100% due 7/1/18..... | 1,254 |
| 420,000 | AAA | Unrefunded Balance, 8.100% due 7/1/18..... | 483 |
| 2,000,000 | BBB- | Ohio State Air Quality Development Authority Revenue, Cleveland Pollution Control, Series A, 6.000% due 12/1/13..... | 2,082 |
| 1,250,000 | NR | Ohio State Solid Waste Revenue, Republic Engineered Steels Inc., 9.000% due 6/1/21 (b) (c)..... | |
| | | | ----- |
| | | | 5,483 |
| | | | ----- |
| Oklahoma -- 0.9% | | | |
| 2,000,000 | B1* | Oklahoma Development Finance Authority Revenue, Hillcrest Healthcare System, Series A, 5.625% due 8/15/29..... | 1,466 |
| | | | ----- |
| Pennsylvania -- 9.9% | | | |
| 2,200,000 | C* | Allegheny County, PA IDA, Airport Special Facilities Revenue, (USAir Inc. Project), Series B, 8.500% due 3/1/21 (b) (c)..... | 260 |
| | | Beaver County, PA IDA, PCR: | |
| 1,500,000 | BBB | Cleveland Electric Illuminating Co. Project, 7.625% due 5/1/25..... | 1,618 |
| 2,000,000 | BBB | Toledo Edison Co. Project, 7.625% due 5/1/20..... | 2,157 |

See Notes to Financial Statements.

[CLIP ART] Municipal High Income Fund Inc.
Schedule of Investments (unaudited) (continued)
April 30, 2003

| FACE AMOUNT | RATING (a) | SECURITY | VALU |
|----------------------------------|------------|---|--------|
| ===== | | | |
| Pennsylvania -- 9.9% (continued) | | | |
| \$ 1,000,000 | NR | Cumberland County, PA Municipal Authority Retirement Community Revenue, (Wesley Affiliated Services Inc. Project), Series A, 7.250% due 1/1/35..... | \$ 999 |
| 3,000,000 | NR | Dauphin County, PA General Authority Revenue, Hotel & Conference Center - Hyatt Regency, 6.200% due 1/1/29..... | 2,417 |
| 2,640,000 | NR | Montgomery County, PA Higher Education & Health | |

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|------------------------|-------|--|--------------------------|
| | | Authority Revenue, Temple Continuing Care Center, 6.625% due 7/1/19 (d)..... | 1,320 |
| 1,000,000 | NR | Northumberland County, PA IDA, (NHS Youth Services Inc. Project), Series A, 7.500% due 2/15/29..... | 972 |
| 1,000,000 | NR | Philadelphia, PA Authority for IDR, (Host Marriott L.P. Project), Remarketed 10/31/95, 7.750% due 12/1/17..... | 1,017 |
| 500,000 | BB+++ | Scranton-Lackawanna, PA Health & Welfare Authority Revenue: Allied Services Rehabilitation Hospital, Series A, 7.600% due 7/15/20..... | 500 |
| 1,115,000 | BB+ | Moses Taylor Hospital Project: 6.150% due 7/1/14..... | 742 |
| 3,050,000 | BB+ | 6.250% due 7/1/20..... | 1,931 |
| 2,000,000 | NR | Westmoreland County, PA IDA, Healthcare Facilities, Redstone Highlands Health, Series B, 8.125% due 11/15/30..... | 2,104 |
| | | | ----- 16,042 ----- |
| Rhode Island -- 1.2% | | | |
| 2,500,000 | NR | Tobacco Settlement Financing Corp. Revenue, Variable Rate FLAIRS, 9.653% due 6/1/08..... | 1,944 |
| ----- | | | |
| South Carolina -- 2.3% | | | |
| | | Connector 2000 Association Inc., SC Toll Road Revenue: Capital Appreciation, Series B: | |
| 3,100,000 | B- | Zero coupon bond to yield 8.939% due 1/1/27..... | 125 |
| 7,750,000 | B- | Zero coupon bond to yield 10.334% due 1/1/34..... | 188 |
| 2,000,000 | B- | Southern Connector Project, Series A, 5.375% due 1/1/38..... | 837 |
| 435,000 | NR | Florence County, SC IDR, Stone Container Corp., 7.375% due 2/1/07..... | 446 |
| 595,000 | NR | McCormick County, SC COP, 9.750% due 7/1/09..... | 595 |
| 2,000,000 | NR | Tobacco Settlement Revenue Management Authority, Variable Rate FLAIRS, 10.486% due 5/15/28..... | 1,474 |
| | | | ----- 3,667 ----- |
| South Dakota -- 0.9% | | | |
| 1,515,000 | NR | Oglala Sioux Tribe, SD Pine Ridge County, Revenue Bonds, 7.500% due 7/1/13..... | 1,517 |
| | | | ----- |

See Notes to Financial Statements.

[CLIP ART] Municipal High Income Fund Inc.
Schedule of Investments (unaudited) (continued)
April 30, 2003
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| FACE AMOUNT | RATING (a) | SECURITY | VALU |
|-------------------|------------|--|------|
| ===== | | | |
| Tennessee -- 1.1% | | | |
| \$ 1,915,000 | NR | Shelby County, TN Health, Educational & Housing Facilities Board Revenue, MFH, (Hedgerow Apartments Project), | |

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| | | | |
|------------------|--------|---|----------|
| | | 6.875% due 7/1/36..... | \$ 1,831 |
| ----- | | | |
| Texas -- 7.7% | | | |
| | | Bexar County, TX Housing Financial Corp, MFH: | |
| 1,000,000 | NR | Continental Lady Ester, Series A, 6.875% due 6/1/29..... | 955 |
| 1,185,000 | Baa3* | Nob Hill Apartments, Series B, 8.500% due 6/1/31..... | 1,171 |
| 245,000 | Baa3* | Waters at Northern Hills, Series C, 7.750% due 8/1/36..... | 240 |
| 2,000,000 | Ba3* | El Paso, TX International Airport Revenue, Special Facilities, (Marriott Corp. Project), 7.750% due 3/1/12 (d)..... | 2,021 |
| 2,000,000 | Ba3* | Gulf Coast, TX IDA, Solid Waste Disposal Revenue, (CITGO Petroleum Corp. Project), 7.500% due 5/1/25 (b)..... | 1,969 |
| 2,750,000 | B | Houston, TX Airport Systems Revenue, Special Facilities, Continental Airlines Inc., Series C, 6.125% due 7/15/27 (b)... | 1,608 |
| 1,000,000 | CCC++ | Northgate Crossing, TX Municipal Utility, District No. 1, GO, 8.875% due 12/1/13..... | 1,044 |
| 985,000 | Baa3* | Texas State Affordable Housing Corp., MFH Revenue, HIC Arborstone Baybrook, Series C, 7.250% due 11/1/31..... | 981 |
| 1,405,000 | Baa2* | Travis County, TX HFA, MFH Revenue, (Lakeview Apartments Project), Series A, 6.375% due 1/1/34 (d)..... | 1,396 |
| 1,000,000 | NR | Willacy County, TX (Public Facility Corp. Project), Series A-1, 8.250% due 12/1/23..... | 997 |
| | | | ----- |
| | | | 12,386 |
| ----- | | | |
| Utah -- 1.9% | | | |
| 1,615,000 | NR | Hurricane, UT Health Facilities Development Revenue, (Mission Health Services Project), 10.500% due 7/1/20 (c)..... | 1,130 |
| 2,000,000 | NR | Utah State HFA Revenue, (RHA Community Services of Utah Inc. Project), Series A, 6.875% due 7/1/27..... | 1,991 |
| | | | ----- |
| | | | 3,122 |
| ----- | | | |
| Virginia -- 1.9% | | | |
| 550,000 | A3* | Alexandria, VA Redevelopment & Housing Authority, MFH Revenue, (Parkwood Court Apartments Project), Series C, 8.125% due 4/1/30..... | 561 |
| 1,000,000 | NR | Fairfax County, VA EDA Revenue, Retirement Community, Greenspring Village Inc., Series A, 7.500% due 10/1/29..... | 1,065 |
| 23,400,000 | BBB-++ | Pocahontas Parkway Association, VA Toll Road Revenue, Capital Appreciation, Series B, zero coupon bond to yield 8.776% due 8/15/34..... | 1,400 |
| | | | ----- |
| | | | 3,027 |
| ----- | | | |

See Notes to Financial Statements.

[CLIP ART] Municipal High Income Fund Inc.
Schedule of Investments (unaudited) (continued)
April 30, 2003

=====

| | | | |
|--------|------------|----------|------|
| FACE | | | |
| AMOUNT | RATING (a) | SECURITY | VALU |

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| | | |
|-----------------------|---|-----------|
| ===== | | |
| West Virginia -- 0.6% | | |
| \$ 1,000,000 NR | West Virginia EDA, Commercial Development Revenue, (Stonewall Jackson Project), Series B, 8.000% due 4/1/30..... | \$ 1,002 |
| | | ----- |
| Wisconsin -- 0.7% | | |
| 1,745,000 NR | Wisconsin State Health & Educational Facilities Authority Revenue, (Benchmark Healthcare of Green Bay Inc. Project), Series A, 7.750% due 5/1/27..... | 1,134 |
| | | ----- |
| | TOTAL INVESTMENTS -- 100% | |
| | (Cost -- \$181,891,215***)..... | \$161,405 |
| | | ===== |

-
- (a) All ratings are by Standard & Poor's Rating Service, except for those identified by an asterisk (*), which are rated by Moody's Investors Service and those identified by a double dagger (++), which are rated by Fitch Ratings.
 - (b) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax.
 - (c) Security is currently in default.
 - (d) All of a portion of this security has been segregated for open futures contracts commitments (See Note 4).
 - (e) All or a portion of this security is held as collateral for open futures contracts commitments (See Note 4).
 - (f) Pre-Refunded bonds escrowed with U.S. government securities and bonds escrowed to maturity with U.S. government securities are considered by the investment adviser to be triple-A rated even if the issuer has not applied for new ratings.
 - (g) Inverse floating rate security -- coupon varies inversely with level of short-term tax exempt interest rates.
- ** Aggregate cost for Federal income tax purposes is substantially the same.

See pages 12 through 14 for definitions of ratings and certain security descriptions.

See Notes to Financial Statements.

[CLIP ART] Municipal High Income Fund Inc.
Bond Ratings (unaudited)
=====

The definitions of the applicable ratings symbols are set forth below:

Standard & Poor's Ratings Service ("Standard & Poor's") -- Ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or a minus (-) sign to show relative standings within the major rating categories.

AAA -- Bonds rated "AAA" have the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA -- Bonds rated "AA" have a very strong capacity to pay interest and repay principal and differ from the highest rated issue only in a small degree.

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- A -- Bonds rated "A" have a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.
- BBB -- Bonds rated "BBB" are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.
- BB, B, CCC and CC -- Bonds rated "BB", "B", "CCC" and "CC" are regarded, on balance, as predominantly speculative and with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. "BB" represents a lower degree of speculation than "B", and "CC" the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

Moody's Investors Service ("Moody's") -- Numerical modifiers 1, 2 and 3 may be applied to each generic rating from "Aa" to "Caa," where 1 is the highest and 3 the lowest rating within its generic category.

- Aaa -- Bonds rated "Aaa" are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.
- Aa -- Bonds rated "Aa" are judged to be of high quality by all standards. Together with the "Aaa" group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large in "Aaa" securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in "Aaa" securities.
- A -- Bonds rated "A" possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future

[CLIP ART] Municipal High Income Fund Inc.
Bond Ratings (unaudited) (continued)

- Baa -- Bonds rated "Baa" are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
- Ba -- Bonds rated "Ba" are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate thereby

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- not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.
- B -- Bonds rated "B" generally lack characteristics of desirable investments. Assurance of interest and principal payments or of maintenance of other terms of the contract over many long period of time may be small.
 - Caa -- Bonds rated "Caa" are of poor standing. These issues may be in default, or there may be present elements of danger with respect to principal or interest.
 - Ca -- Bonds rated "Ca" represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.
 - C -- Bonds rated "C" are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Fitch Ratings ("Fitch") -- Ratings from "BBB" to "CCC" may be modified by the addition of a plus (+) or a minus (-) sign to show relative standings with the major ratings categories.

- BBB -- Bonds rated "BBB" by Fitch currently have a low expectation of credit risk. The capacity for timely payment of financial commitments is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to impair this capacity. This is the lowest investment grade category assigned by Fitch.
- BB -- Bonds rated "BB" by Fitch carry the possibility of credit risk developing, particularly as the result of adverse economic change over time. Business or financial alternatives may, however, be available to allow financial commitments to be met. Securities rated in this category are not considered by Fitch to be investment grade.
- CCC, CC and C -- Bonds rated "CCC", "CC" and "C" by Fitch carry the real possibility of defaulting. The capacity to meet financial commitments depends solely on a sustained, favorable business and economic environment. Default of some kind on bonds rated "CC" appears probable, a "C" rating indicates imminent default.
- NR -- Indicates that the bond is not rated by Standard & Poor's, Moody's or Fitch.

[CLIP ART] Municipal High Income Fund Inc.
Short-Term Bond Ratings (unaudited)

=====

- A-1 -- Standard & Poor's highest commercial paper and variable-rate demand obligation (VRDO) rating indicating that the degree of safety regarding timely payment is either overwhelming or very strong; those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign.
- VMIG 1 -- Moody's highest rating for issues having a demand feature -- VRDO.

Security Descriptions (unaudited)

=====

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ABAG -- Association of Bay Area Governments
 AIG -- American International Guaranty
 AMBAC -- American Municipal Bond Assurance Corporation
 BAN -- Bond Anticipation Notes
 BIG -- Bond Investors Guaranty
 CGIC -- Capital Guaranty Insurance Company
 CHFCLI -- California Health Facility Construction Loan Insurance
 CONNIE -- College Construction Loan
 LEE Insurance Association
 COP -- Certificate of Participation
 EDA -- Economic Development Authority
 ETM -- Escrowed to Maturity
 FGIC -- Financial Guaranty Insurance Company
 FHA -- Federal Housing Administration
 FHLMC -- Federal Home Loan Mortgage Corporation
 FLAIRS -- Floating Adjustable Interest Rate Securities
 FNMA -- Federal National Mortgage Association
 FRTC -- Floating Rate Trust Certificates
 FSA -- Financing Security Assurance
 GIC -- Guaranteed Investment Contract
 GNMA -- Government National Mortgage Association
 GO -- General Obligation
 HDC -- Housing Development Corporation
 HFA -- Housing Finance Authority
 IDA -- Industrial Development Authority/Agency
 IDB -- Industrial Development Board
 IDR -- Industrial Development Revenue
 INFLOS -- Inverse Floaters
 ISD -- Independent School District
 LOC -- Letter of Credit
 MBIA -- Municipal Bond Investors Assurance Corporation
 MFH -- Multi-Family Housing
 MVRICS -- Municipal Variable Rate Inverse Coupon Security
 PCR -- Pollution Control Revenue
 PSFG -- Permanent School Fund Guaranty
 RAN -- Revenue Anticipation Notes
 RIBS -- Residual Interest Bonds
 RITES -- Residual Interest Tax-Exempt Securities
 SYCC -- Structured Yield Curve Certificate
 TAN -- Tax Anticipation Notes
 TECP -- Tax-Exempt Commercial Paper
 TOB -- Tender Option Bonds
 TRAN -- Tax and Revenue Anticipation Notes
 VA -- Veterans Administration
 VRWE -- Variable Rate Wednesday Demand

14

Municipal High Income Fund Inc.
 Statement of Assets and Liabilities (unaudited)
 April 30, 2003

[CLIP ART]

=====

ASSETS:

| | |
|---|----------------|
| Investments, at value (Cost -- \$181,891,215) | \$ 161,405,282 |
| Interest receivable | 4,295,871 |
| Receivable for securities sold | 30,000 |
| | ----- |

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| | |
|---|----------------|
| Total Assets | 165,731,153 |
| | ----- |
| LIABILITIES: | |
| Payable to broker -- variation margin | 304,688 |
| Bank overdraft | 273,902 |
| Investment advisory fee payable | 57,516 |
| Administration fee payable | 28,497 |
| Accrued expenses | 69,243 |
| | ----- |
| Total Liabilities | 733,846 |
| | ----- |
| Total Net Assets | \$ 164,997,307 |
| | ===== |
| NET ASSETS: | |
| Par value of capital shares | \$ 208,831 |
| Capital paid in excess of par value | 192,384,932 |
| Undistributed net investment income | 614,060 |
| Accumulated net realized loss from security transactions and futures contracts | (7,822,350) |
| Net unrealized depreciation of investments and futures contracts | (20,388,166) |
| | ----- |
| Total Net Assets | \$ 164,997,307 |
| | ===== |
| Shares Outstanding | 20,883,100 |
| | ----- |
| Net Asset Value | \$ 7.90 |
| | ----- |

See Notes to Financial Statements.

15

[CLIP ART] Municipal High Income Fund Inc.
Statement of Operations (unaudited)
For the Six Months Ended April 30, 2003

| | |
|--|--------------|
| ===== | |
| INVESTMENT INCOME: | |
| Interest | \$ 6,631,870 |
| | ----- |
| EXPENSES: | |
| Investment advisory fee (Note 3) | 333,101 |
| Administration fee (Note 3) | 166,551 |
| Shareholder servicing fees | 46,155 |
| Audit and legal | 45,250 |
| Directors' fees | 34,390 |
| Custody | 25,340 |
| Shareholder communications | 12,670 |
| Other | 35,295 |
| | ----- |
| Total Expenses | 698,752 |
| | ----- |
| Net Investment Income | 5,933,118 |
| | ----- |

REALIZED AND UNREALIZED LOSS ON INVESTMENTS

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AND FUTURES CONTRACTS (NOTES 4 AND 5):

| | |
|--|--------------|
| Realized Loss From: | |
| Security transactions (excluding short-term securities) .. | (2,179,100) |
| Futures contracts | (2,344,842) |
| | ----- |
| Net Realized Loss | (4,523,942) |
| | ----- |
| Change in Net Unrealized Depreciation of Investments and Futures Contracts: | |
| Beginning of period | (19,294,641) |
| End of period | (20,388,166) |
| | ----- |
| Increase in Net Unrealized Depreciation | (1,093,525) |
| | ----- |
| Net Loss on Investments and Futures Contracts | (5,617,467) |
| | ----- |
| Increase in Net Assets From Operations | \$ 315,651 |
| | ===== |

See Notes to Financial Statements.

16

Municipal High Income Fund Inc.
Statements of Changes in Net Assets
For the Six Months Ended April 30, 2003 (unaudited)
and the Year Ended October 31, 2002

| | 2003 | 2002 |
|---|--------------|---------------|
| | ---- | ---- |
| Operations: | | |
| Net investment income | \$ 5,933,118 | \$ 11,994,943 |
| Net realized loss | (4,523,942) | (164,823) |
| Increase in net unrealized depreciation | (1,093,525) | (10,433,215) |
| | ----- | ----- |
| Increase in Net Assets From Operations | 315,651 | 1,396,905 |
| | ----- | ----- |
| DISTRIBUTIONS TO SHAREHOLDERS FROM (NOTE 2): | | |
| Net investment income | (5,826,385) | (11,902,496) |
| | ----- | ----- |
| Decrease in Net Assets From Distributions to Shareholders | (5,826,385) | (11,902,496) |
| | ----- | ----- |
| FUND SHARE TRANSACTIONS (NOTE 6): | | |
| Net asset value of shares issued for reinvestment of dividends | -- | 1,446,084 |
| | ----- | ----- |
| Increase in Net Assets From Fund Share Transactions | -- | 1,446,084 |
| | ----- | ----- |
| Decrease in Net Assets | (5,510,734) | (9,059,507) |

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| | | |
|--|----------------|----------------|
| NET ASSETS: | | |
| Beginning of period | 170,508,041 | 179,567,548 |
| | ----- | ----- |
| End of period* | \$ 164,997,307 | \$ 170,508,041 |
| | ===== | ===== |
| * Includes undistributed net investment income of: ... | \$ 614,060 | \$ 507,327 |
| | ===== | ===== |

See Notes to Financial Statements.

Municipal High Income Fund Inc.
Notes to Financial Statements (unaudited)

[CLIP ART]

=====

1. Significant Accounting Policies

Municipal High Income Fund Inc. ("Fund"), a Maryland corporation, is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company.

The significant accounting policies consistently followed by the Fund are: (a) security transactions are accounted for on trade date; (b) securities are valued at the mean between the bid and asked prices provided by an independent pricing service. Securities with no readily obtainable market quotations are valued at fair value as determined by an independent pricing service under the supervision of the Fund's Board of Directors; (c) securities maturing within 60 days are valued at cost plus accreted discount, or minus amortized premium, which approximates value; (d) gains or losses on the sale of securities are calculated by using the specific identification method; (e) interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis; (f) dividends and distributions to shareholders are recorded on the ex-dividend date; (g) the Fund intends to comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, pertaining to regulated investment companies and to make distributions of taxable income sufficient to relieve it from substantially all Federal income and excise taxes; (h) the character of income and gains to be distributed are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America; and (i) estimates and assumptions are required to be made regarding assets, liabilities and changes in net assets resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ.

In addition, the Fund invests in high yield instruments that are subject to certain credit and market risks. The yields of high yield debt obligations reflect, among other things, perceived credit risk. The Fund's investment in securities rated below investment grade typically involve risks not associated with higher rated securities including, among others, greater risk of timely and ultimate payment of interest and principal, greater market price volatility and less liquid secondary market trading.

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Municipal High Income Fund Inc.
 [CLIP ART] Notes to Financial Statements (unaudited) (continued)

2. Exempt-Interest Dividends and Other Distributions

The Fund intends to satisfy conditions that will enable interest from municipal securities, which is exempt from Federal income tax, to retain such tax-exempt status when distributed to the shareholders of the Fund.

Capital gains distributions, if any, are taxable to shareholders, and are declared and paid at least annually.

3. Investment Advisory Agreement, Administration Agreement and Other Transactions

Smith Barney Fund Management LLC ("SBFM"), an indirect wholly-owned subsidiary of Citigroup Inc. ("Citigroup"), acts as investment adviser to the Fund. The Fund pays SBFM an investment advisory fee calculated at an annual rate of 0.40% of the average daily net assets. SBFM also acts as the administrator of the Fund for which it receives a fee calculated at an annual rate of 0.20% of the average daily net assets. These fees are calculated daily and paid monthly.

All officers and one Director of the Fund are employees of Citigroup or its affiliates.

4. Investments

During the six months ended April 30, 2003, the aggregate cost of purchases and proceeds from sales of investments (including maturities of long-term securities, but excluding short-term securities) were as follows:

| | |
|-----------------|--------------|
| Purchases | \$20,616,066 |
| | ===== |
| Sales | \$20,962,122 |
| | ===== |

At April 30, 2003, the aggregate gross unrealized appreciation and depreciation of investments for Federal income tax purposes were substantially as follows:

| | |
|-------------------------------------|----------------|
| Gross unrealized appreciation | \$ 4,121,927 |
| Gross unrealized depreciation | (24,607,860) |
| | ----- |
| Net unrealized depreciation | \$(20,485,933) |
| | ===== |

Municipal High Income Fund Inc.
 [CLIP ART] Notes to Financial Statements (unaudited) (continued)

5. Futures Contracts

Initial margin deposits made upon entering into futures contracts are recognized as assets. Securities equal to the initial margin amount are segregated by the custodian in the name of the broker. Additional securities are also segregated up to the current market value of the futures contracts. During

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the period the futures contract is open, changes in the value of the contract are recognized as unrealized gains or losses by "marking to market" on a daily basis to reflect the market value of the contract at the end of each day's trading. Variation margin payments are received or made and recognized as assets due from or liabilities due to broker, depending upon whether unrealized gains or losses are incurred. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transactions and the Fund's basis in the contract. The Fund enters into such contracts to hedge a portion of its portfolio. The Fund bears the market risk that arises from changes in the value of the financial instruments and securities indices (futures contracts).

At April 30, 2003, the Fund had the following open futures contracts:

| | Number of Contracts | Expiration | Basis Value | Market Value | Unrealized Gain |
|----------------------------|------------------------|------------|----------------|-----------------|--------------------|
| | ----- | ----- | ----- | ----- | ----- |
| To Sell: | | | | | |
| U.S. Treasury 20 Year Bond | 325 | 6/03 | \$37,157,923 | \$37,060,156 | \$97,767 |

6. Capital Shares

At April 30, 2003, the Fund had 500,000,000 shares of capital stock authorized with a par value of \$0.01 per share.

Capital stock transactions were as follows:

| | Six Months Ended April 30, 2003 | | Year Ended October 31, 2002 | |
|-------------------------------------|------------------------------------|--------|--------------------------------|-------------|
| | Shares | Amount | Shares | Amount |
| | ----- | ----- | ----- | ----- |
| Shares issued on reinvestment | -- | -- | 174,992 | \$1,446,084 |
| | ===== | ===== | ===== | ===== |

[CLIP ART] Municipal High Income Fund Inc.
Financial Highlights

=====

For a share of capital stock outstanding throughout each year ended October 31, unless otherwise noted:

| | 2003(1) | 2002 | 2001 | 2000 | |
|---|---------|---------|---------|---------|-------|
| | ----- | ----- | ----- | ----- | ----- |
| Net Asset Value, Beginning of Period | \$ 8.16 | \$ 8.67 | \$ 8.86 | \$ 9.00 | \$ |
| | ----- | ----- | ----- | ----- | ----- |

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| | | | | | |
|---|----------|----------|----------|----------|-------|
| Income (Loss) From Operations: | | | | | |
| Net investment income(2) | 0.28 | 0.58 | 0.59 | 0.60 | |
| Net realized and unrealized gain (loss) (2) | (0.26) | (0.52) | (0.20) | (0.16) | |
| | ----- | ----- | ----- | ----- | ----- |
| Total Income (Loss) From Operations | 0.02 | 0.06 | 0.39 | 0.44 | |
| | ----- | ----- | ----- | ----- | ----- |
| Less Distributions From: | | | | | |
| Net investment income | (0.28) | (0.57) | (0.58) | (0.58) | |
| In excess of net investment income | -- | -- | -- | -- | |
| | ----- | ----- | ----- | ----- | ----- |
| Total Distributions | (0.28) | (0.57) | (0.58) | (0.58) | |
| | ----- | ----- | ----- | ----- | ----- |
| Net Asset Value, End of Period | \$ 7.90 | \$ 8.16 | \$ 8.67 | \$ 8.86 | \$ |
| | ===== | ===== | ===== | ===== | ===== |
| Total Return, Based on Market Price | 1.91%++ | (4.70)% | 13.85% | 9.39% | (|
| | ===== | ===== | ===== | ===== | ===== |
| Total Return, Based on Net Asset Value | 0.49%++ | 0.91% | 4.77% | 5.97% | |
| | ===== | ===== | ===== | ===== | ===== |
| Net Assets, End of Period (millions) | \$ 165 | \$ 171 | \$ 180 | \$ 181 | \$ |
| | ===== | ===== | ===== | ===== | ===== |
| Ratios to Average Net Assets: | | | | | |
| Expenses | 0.84%+ | 0.80% | 0.82% | 0.71% | |
| Net investment income(2) | 7.12+ | 6.84 | 6.74 | 6.72 | |
| Portfolio Turnover Rate | 13% | 33% | 15% | 27% | |
| Market Price, End of Period | \$ 7.540 | \$ 7.680 | \$ 8.640 | \$ 8.125 | \$ |

-
- (1) For the six months ended April 30, 2003 (unaudited).
- (2) Effective November 1, 2001, the Fund adopted a change in the accounting method, that requires the Fund to amortize premiums and accrete all discounts. Without the adoption of this change, for the year ended October 31, 2002, the ratio of net investment income to average net assets would have been 6.80%. Per share, ratios and supplemental data for the periods prior to November 1, 2001 have not been restated to reflect this change in presentation. In addition, the impact of this change to net investment income and net realized and unrealized loss was less than \$0.01 per share.
- ++ Total return is not annualized, as it may not be representative of the total for the year.
- + Annualized.

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| Record Date | Payable Date | NYSE Closing Price* | Net Asset Value* | Dividend Paid | Dividend Reinvestment Price |
|-------------|--------------|---------------------|------------------|---------------|-----------------------------|
| 11/20/00 | 11/24/00 | \$8.0600 | \$8.25 | \$0.0485 | \$7.96 |
| 12/26/00 | 12/29/00 | 8.0625 | 8.81 | 0.0485 | 8.49 |
| 1/23/01 | 1/26/01 | 8.8125 | 8.79 | 0.0485 | 8.61 |
| 2/20/01 | 2/23/01 | 8.7400 | 8.77 | 0.0485 | 8.60 |
| 3/27/01 | 3/30/01 | 8.3800 | 8.77 | 0.0485 | 8.57 |
| 4/24/01 | 4/27/01 | 8.6800 | 8.67 | 0.0485 | 8.50 |
| 5/22/01 | 5/25/01 | 8.6200 | 8.69 | 0.0485 | 8.52 |
| 6/26/01 | 6/29/01 | 8.6300 | 8.71 | 0.0485 | 8.54 |
| 7/24/01 | 7/27/01 | 8.5700 | 8.75 | 0.0485 | 8.57 |
| 8/28/01 | 8/31/01 | 8.8900 | 8.83 | 0.0485 | 8.65 |
| 9/25/01 | 9/28/01 | 8.3000 | 8.71 | 0.0485 | 8.54 |
| 10/23/01 | 10/26/01 | 8.6300 | 8.70 | 0.0485 | 8.53 |
| 11/27/01 | 11/30/01 | 8.5000 | 8.59 | 0.0485 | 8.42 |
| 12/24/01 | 12/28/01 | 7.8900 | 8.42 | 0.0485 | 8.16 |
| 1/22/02 | 1/25/02 | 8.3000 | 8.45 | 0.0485 | 8.28 |
| 2/19/02 | 2/22/02 | 8.3500 | 8.40 | 0.0485 | 8.23 |
| 3/19/02 | 3/22/02 | 8.1600 | 8.34 | 0.0485 | 8.11 |
| 4/23/02 | 4/26/02 | 8.0700 | 8.36 | 0.0485 | 8.18 |
| 5/28/02 | 5/31/02 | 8.1200 | 8.36 | 0.0485 | 8.19 |
| 6/25/02 | 6/28/02 | 8.1600 | 8.43 | 0.0465 | 8.25 |
| 7/23/02 | 7/26/02 | 8.0700 | 8.46 | 0.0465 | 8.22 |
| 8/27/02 | 8/30/02 | 8.1600 | 8.41 | 0.0465 | 8.23 |
| 9/24/02 | 9/27/02 | 8.3100 | 8.40 | 0.0465 | 8.23 |
| 10/22/02 | 10/25/02 | 7.6200 | 8.15 | 0.0465 | 7.79 |
| 11/25/02 | 11/29/02 | 7.2600 | 8.12 | 0.0465 | 7.35 |
| 12/23/02 | 12/27/02 | 7.3400 | 8.11 | 0.0465 | 7.42 |
| 1/28/03 | 1/31/03 | 7.3900 | 8.03 | 0.0465 | 7.50 |
| 2/25/03 | 2/28/03 | 7.4000 | 7.99 | 0.0465 | 7.51 |
| 3/25/03 | 3/28/03 | 7.4000 | 7.93 | 0.0465 | 7.48 |
| 4/22/03 | 4/25/03 | 7.4400 | 7.88 | 0.0465 | 7.49 |

* As of record date.

Municipal High Income Fund Inc.
 [CLIP ART] Additional Shareholder Information (unaudited)

Result of Annual Meeting of Shareholders

The Annual Meeting of Shareholders of Municipal High Income Fund Inc. was held on February 24, 2003, for the purpose of considering and voting upon the election of three Directors, each for a three year term. The following table provides information concerning the matters voted upon at the Meeting:

1. Election of Directors*

| Nominees | Votes For | Votes Withheld |
|--------------------|------------|----------------|
| Allan J. Bloostein | 17,403,355 | 436,275 |
| R. Jay Gerken | 17,459,694 | 379,936 |

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George M. Pavia

17,447,650

391,980

* The following Directors, representing the balance of the Board of Directors, continue to serve as Directors: Dwight B. Crane, Paolo M. Cucchi, Robert A. Frankel, Paul Hardin and William R. Hutchinson.

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Municipal High Income Fund Inc.
[CLIP ART] Dividend Reinvestment Plan (unaudited)
=====

The Fund's policy, which may be changed by the Fund's Board of Directors, is generally to make monthly distributions of substantially all its net investment income (i.e., income other than net realized capital gains) to the holders of the Fund's common stock. From time to time, when the Fund makes a substantial capital gains distribution, it may do so in lieu of paying its regular monthly dividend, net income of the Fund consists of all interest income accrued on portfolio assets less all expenses of the Fund. Expenses of the Fund are accrued each day. Net realized capital gains, if any, will be distributed to the shareholders at least once a year.

Under the Fund's Dividend Reinvestment Plan ("Plan"), a shareholder whose common stock is registered in his or her own name will have all distributions reinvested automatically by PFPC Global Fund Services ("PFPC"), as purchasing agent under the Plan, unless the shareholder elects to receive cash. Distributions with respect to shares registered in the name of a broker-dealer or other nominee (that is, in "street name") will be reinvested by the broker or nominee in additional shares under the Plan, unless the service is not provided by the broker or nominee or the shareholder elects to receive distributions in cash. Investors who own common stock registered in street name should consult their broker-dealers for details regarding reinvestment. All distributions to shareholders who do not participate in the Plan will be paid by check mailed directly to the record holder by or under the direction of PFPC, as dividend-paying agent.

The number of shares of common stock distributed to participants in the Plan in lieu of a cash dividend is determined in the following manner. Whenever the market price of the common stock is equal to or exceeds 98% of net asset value ("NAV") per share on the determination date (generally, the record date for the distribution), participants will be issued shares of common stock valued at the greater of (1) 98% of the NAV or (2) 95% of the market price. To the extent that the Fund issues shares to participants in the Plan at a discount to NAV, the interests of remaining shareholders (i.e., those who do not participate in the Plan) in the Fund's net assets will be proportionately diluted.

If 98% of the NAV per share of the common stock at the time of valuation (which is the close of business on the determination date) exceeds the market price of common stock, PFPC will buy common stock in the open market, on the NYSE or elsewhere, for the participants' accounts. If, following the commencement of the purchases and before PFPC has completed its purchases, the market price exceeds 98% of what the NAV per share of the common stock was at the valuation time, PFPC will attempt to terminate purchases in the open market and cause the Fund to issue the remaining portion of the dividend or distribution by issuing shares at a price equal to the greater of (1) 98% of the NAV per share as of the valuation time, or (2) 95% of the then current market price. In this case, the number of shares of common stock received by a Plan participant will be based on the weighted average of prices paid for shares

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purchased in the open market and the price at which the Fund issues the remaining shares. To the extent PFPC is unable to stop open market purchases and cause the Fund to issue the remaining shares, the average per share price paid by PFPC may

[CLIP ART] Municipal High Income Fund Inc. Dividend Reinvestment Plan (unaudited) (continued)

exceed 98% of the NAV per share of the common stock. PFPC will begin to purchase common stock on the open market as soon as practicable after the payment date of the dividend or capital gains distribution, but in no event shall such purchases continue later than 30 days after that date, except when necessary to comply with applicable provisions of the Federal securities laws.

PFPC maintains all shareholder accounts in the Plan and furnishes written confirmations of all transactions in each account, including information needed by a shareholder for personal and tax records. The automatic reinvestment of dividends and capital gains distributions will not relieve Plan participants of any income tax that may be payable on the dividends or capital gains distributions. Common stock in the account of each Plan participant will be held by PFPC in uncertificated form in the name of the Plan participant.

Plan participants are subject to no charge for reinvesting dividends and capital gains distributions under the Plan. PFPC's fees for handling the reinvestment of dividends and capital gains distributions will be paid by the Fund. No brokerage charges shall apply with respect to shares of common stock issued directly by the Fund under the Plan. Each Plan participant will, however, bear a pro-rata share of brokerage commissions actually incurred with respect to any open market purchases made under the Plan.

Experience under the Plan may indicate that changes to it are desirable. The Fund reserves the right to amend or terminate the Plan as applied to any dividend or capital gains distribution paid subsequent to written notice of the change sent to participants at least 30 days before the record date for the dividend or capital gains distribution. The Plan also may be amended or terminated by PFPC or the Fund on at least 30 days' written notice to Plan participants. All correspondence concerning the Plan should be directed by mail to PFPC Global Fund Services, P.O. Box 8030, Boston, Massachusetts 02266-8030 or by telephone at 1 (800) 331-1710.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Fund may purchase at market prices shares of its common stock in the open market. As of April 30, 2003, the Fund has not repurchased any shares.

[CLIP ART] Municipal High Income Fund Inc. Management of the Fund

Directors

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Allan J. Bloostein
Dwight B. Crane
Paolo M. Cucchi
Robert A. Frankel
R. Jay Gerken, Chairman
Paul Hardin
William R. Hutchinson
George M. Pavia

Officers

R. Jay Gerken
President and Chief
Executive Officer

Lewis E. Daidone
Senior Vice President and
Chief Administrative Officer

Richard L. Peteka
Chief Financial Officer
and Treasurer

Peter M. Coffey
Vice President and
Investment Officer

Michael J. Maher
Investment Officer

Kaprel Ozsolak
Controller

Christina T. Sydor
Secretary

Investment Adviser and Administrator

Smith Barney Fund Management LLC
399 Park Avenue
New York, New York 10022

Transfer Agent

PFPC Global Fund Services
P.O. Box 8030
Boston, Massachusetts 02266-8030

Custodian

State Street Bank and Trust Company
225 Franklin Street
Boston, Massachusetts 02110

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[GRAPHIC OMITTED]

[CLIP ART]

This report is intended only for shareholders of Municipal High Income Fund Inc. It is not a Prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.

Municipal High Income Fund Inc.
125 Broad Street
10th Floor, MF-2
New York, NY 10004

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03-4962

- ITEM 2. CODE OF ETHICS.
Not applicable.
- ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.
Not applicable.
- ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.
Not applicable.
- ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.
Not applicable.
- ITEM 6. [RESERVED]
- ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.
Not applicable.
- ITEM 8. [RESERVED]
- ITEM 9. 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-2(c) under the Investment Company Act of 1940, as amended) are effective based on their evaluation of the disclosure controls and procedures as of a date within 90 days of the filing date of this document.
 - (b) In the last 90 days, there have been no significant changes in the Registrant's internal controls or in other factors that could significantly affect these controls.

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ITEM 10. EXHIBITS.

(a) Not applicable.

(b) Attached hereto.

Exhibit 99.CERT Certifications pursuant to section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 99.906CERT Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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, there unto duly authorized.

Municipal High Income Fund Inc.

By: /s/ R. Jay Gerken

R. Jay Gerken
Chief Executive Officer of
Municipal High Income Fund Inc.

Date: June 27, 2003

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 of
Municipal High Income Fund Inc.

Date: June 27, 2003

By: /s/ Richard Peteka

Chief Financial Officer of
Municipal High Income Fund Inc.

Date: June 27, 2003