

WESTERN ASSET MUNICIPAL HIGH INCOME FUND INC.

Form N-CSRS

June 23, 2015

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 811-05497

Western Asset Municipal High Income Fund Inc.

(Exact name of registrant as specified in charter)

620 Eighth Avenue, 49th Floor, New York, NY 10018

(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place,

Stamford, CT 06902

(Name and address of agent for service)

Registrant's telephone number, including area code: (888) 777-0102

Date of fiscal year end: October 31

Date of reporting period: April 30, 2015

ITEM 1. REPORT TO STOCKHOLDERS.

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

Semi-Annual Report

April 30, 2015

WESTERN ASSET
MUNICIPAL HIGH
INCOME FUND INC.
(MHF)

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

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Fund objective

The Fund seeks high current income exempt from federal income taxes.

Letter from the chairman

Dear Shareholder,

We are pleased to provide the semi-annual report of Western Asset Municipal High Income Fund Inc. for the six-month reporting period ended April 30, 2015. Please read on for Fund performance information and a detailed look at prevailing economic and market conditions during the Fund's reporting period.

As always, we remain committed to providing you with excellent service and a full spectrum of investment choices. We also remain committed to supplementing the support you receive from your financial advisor. One way we accomplish this is through our website, www.lmcef.com. Here you can gain immediate access to market and investment information, including:

Fund prices and performance,

Market insights and commentaries from our portfolio managers, and

A host of educational resources.

We look forward to helping you meet your financial goals.

Sincerely,

Kenneth D. Fuller

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Chairman, President and Chief Executive Officer

May 29, 2015

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Investment commentary

Economic review

The U.S. economy expanded moderately during the six months ended April 30, 2015 (the reporting period). The U.S. Department of Commerce reported that third quarter 2014 U.S. gross domestic product (GDP) growth was 5.0%, its strongest reading since the third quarter of 2003. However, fourth quarter 2014 GDP growth slowed to a modest 2.2%. The deceleration in growth primarily reflected an upturn in imports, a downturn in federal government spending and moderating nonresidential fixed investment. After the reporting period ended, the U.S. Department of Commerce reported that its second estimate for first quarter 2015 GDP was -0.7%. This downturn was attributed to a number of factors, including negative contributions from exports, nonresidential fixed investment, and state and local government spending.

Activity in the U.S. manufacturing sector also moderated during the reporting period. Based on the Institute for Supply Management's Purchasing Managers Index (PMI), U.S. manufacturing expanded during all six months of the reporting period (a reading below 50 indicates a contraction, whereas a reading above 50 indicates an expansion). After a reading of 57.6 in November 2014, the PMI generally decelerated over much of the reporting period and the PMI was 51.5 in April 2015.

The labor market was largely a tailwind for the economy during the reporting period. When the period began, unemployment was 5.8%, as reported by the U.S. Department of Labor. Unemployment generally declined during the reporting period and was 5.4% in April 2015, its lowest level since May 2008.

Investment commentary (cont d)

Market review

Q. How did the Federal Reserve Board (Fedⁱⁱ) respond to the economic environment?

A. The Fed took a number of actions as it sought to meet its dual mandate of fostering maximum employment and price stability. As it has since December 2008, the Fed kept the federal funds rate^{iv} at a historically low range between zero and 0.25%. The Fed ended its asset purchase program that was announced in December 2012. In December 2014, the Fed said that it can be patient in beginning to normalize the stance of monetary policy. Finally, at its meeting that ended on April 29, 2015, the Fed said, economic growth slowed during the winter months, in part reflecting transitory factors. The Committee currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run.

Q. Did Treasury yields trend higher or lower during the six months ended April 30, 2015?

A. Short-term Treasury yields moved higher, whereas long-term Treasury yields declined during the reporting period. When the reporting period began, the yield on the two-year Treasury was 0.50%. It was as high as 0.73% towards the end of December 2014 and again on March 6, 2015, and fell as low as 0.44% on January 15, 2015, before ending the period at 0.58%. The yield on the ten-year Treasury began the period at 2.35% and its peak of 2.39% occurred on November 6, 2014. The yield on the ten-year Treasury was as low as 1.68% in late January/early February 2015 and concluded the period at 2.05%.

Q. How did the municipal bond market perform versus the taxable bond market over the reporting period?

A. The municipal bond market lagged its taxable bond counterpart during the six months ended April 30, 2015, as the Barclays Municipal Bond Index^v and the Barclays U.S. Aggregate Index^{vi} gained 1.17% and 2.06%, respectively. The overall municipal market was supported by overall positive investor demand, largely improving fundamentals and declining longer-term rates. Its underperformance versus the taxable bond market was partially due to an increase in new issuance thus far in 2015.

Performance review

For the six months ended April 30, 2015, Western Asset Municipal High Income Fund Inc. returned 1.79% based on its net asset value (NAV^{vii}) and 7.77% based on its New York Stock Exchange (NYSE) market price per share. The Fund's unmanaged benchmark, the Barclays Municipal Bond Index, returned 1.17% for the same period. The Lipper High Yield Municipal Debt Closed-End Funds Category Average^{viii} returned 2.94% over the same time frame. Please note that Lipper performance returns are based on each fund's NAV.

Certain investors may be subject to the federal alternative minimum tax, and state and local taxes will apply. Capital gains, if any, are fully taxable. Please consult your personal tax or legal adviser.

During this six-month period, the Fund made distributions to shareholders totaling \$0.17 per share. As of April 30, 2015, the Fund estimates that all of the distributions were sourced from net investment income.* The performance table shows the Fund's six-month total return based on its NAV and

IV Western Asset Municipal High Income Fund Inc.

market price as of April 30, 2015. **Past performance is no guarantee of future results.**

Performance Snapshot as of April 30, 2015
(unaudited)

Price Per Share	6-Month Total Return**
\$8.08 (NAV)	1.79%
\$7.87 (Market Price)	7.77%

All figures represent past performance and are not a guarantee of future results. Performance figures for periods shorter than one year represent cumulative figures and are not annualized.

**** Total returns are based on changes in NAV or market price, respectively. Returns reflect the deduction of all Fund expenses, including management fees, operating expenses, and other Fund expenses. Returns do not reflect the deduction of brokerage commissions or taxes that investors may pay on distributions or the sale of shares.**

Total return assumes the reinvestment of all distributions, including returns of capital, if any, at NAV.

Total return assumes the reinvestment of all distributions, including returns of capital, if any, in additional shares in accordance with the Fund's Dividend Reinvestment Plan.

Looking for additional information?

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

In a continuing effort to provide information concerning the Fund, shareholders may call 1-888-777-0102 (toll free), Monday through Friday from 8:00 a.m. to 5:30 p.m. Eastern Time, for the Fund's current NAV, market price and other information.

Thank you for your investment in Western Asset Municipal High Income Fund Inc. As always, we appreciate that you have chosen us to manage your assets and we remain focused on achieving the Fund's investment goals.

Sincerely,

Kenneth D. Fuller

Chairman, President and

Chief Executive Officer

May 29, 2015

*These estimates are not for tax purposes. The Fund will issue a Form 1099 with final composition of the distributions for tax purposes after year-end. A return of capital is not taxable and results in a reduction in the tax basis of a shareholder's investment. For more information about a distribution's composition, please refer to the Fund's distribution press release or, if applicable, the Section 19 notice located in the press release section of our website, www.lmcef.com.

Investment commentary (cont d)

***RISKS:** The Fund's investments are subject to credit risk, inflation risk and interest rate risk. High-yield bonds involve greater credit and liquidity risks than investment grade bonds. As interest rates rise, bond prices fall, reducing the value of the Fund's holdings. Municipal securities purchased by the Fund may be adversely affected by changes in the financial condition of municipal issuers and insurers, regulatory and political developments, uncertainties and public perceptions, and other factors. The Fund may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and have a potentially large impact on Fund performance.*

All investments are subject to risk including the possible loss of principal. Past performance is no guarantee of future results. All index performance reflects no deduction for fees, expenses or taxes. Please note that an investor cannot invest directly in an index.

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.

- ⁱ Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.
- ⁱⁱ The Institute for Supply Management's PMI is based on a survey of purchasing executives who buy the raw materials for manufacturing at more than 350 companies. It offers an early reading on the health of the U.S. manufacturing sector.
- ⁱⁱⁱ The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.
- ^{iv} The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.
- ^v The Barclays Municipal Bond Index is a market value weighted index of investment grade municipal bonds with maturities of one year or more.
- ^{vi} The Barclays 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.
- ^{vii} Net asset value (NAV) is calculated by subtracting total liabilities, including liabilities associated with financial leverage (if any) 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 the Fund's market price as determined by supply of and demand for the Fund's shares.
- ^{viii} Lipper, Inc., a wholly-owned subsidiary of Reuters, provides independent insight on global collective investments. Returns are based on the six-month period ended April 30, 2015, including the reinvestment of all distributions, including returns of capital, if any, calculated among the 11 funds in the Fund's Lipper category.

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Fund at a glance (unaudited)

Investment breakdown (%) as a percent of total investments

The bar graph above represents the composition of the Fund's investments as of April 30, 2015 and October 31, 2014 and does not include derivatives, such as futures contracts. The Fund is actively managed. As a result, the composition of the Fund's investments is subject to change at any time.

Spread duration (unaudited)

Economic exposure April 30, 2015

Total Spread Duration

MHF 7.33 years

Benchmark 5.66 years

Spread duration measures the sensitivity to changes in spreads. The spread over Treasuries is the annual risk-premium demanded by investors to hold non-Treasury securities. Spread duration is quantified as the % change in price resulting from a 100 basis points change in spreads. For a security with positive spread duration, an increase in spreads would result in a price decline and a decline in spreads would result in a price increase. This chart highlights the market sector exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

Benchmark Barclays Municipal Bond Index

MHF Western Asset Municipal High Income Fund Inc.

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Effective duration (unaudited)

Interest rate exposure April 30, 2015

Total Effective Duration

MHF 7.28 years

Benchmark 5.81 years

Effective duration measures the sensitivity to changes in relevant interest rates. Effective duration is quantified as the % change in price resulting from a 100 basis points change in interest rates. For a security with positive effective duration, an increase in interest rates would result in a price decline and a decline in interest rates would result in a price increase. This chart highlights the interest rate exposure of the Fund's sectors relative to the selected benchmark sectors as of the end of the reporting period.

Benchmark Barclays Municipal Bond Index
MHF Western Asset Municipal High Income Fund Inc.

Schedule of investments (unaudited)

April 30, 2015

Western Asset Municipal High Income Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
Municipal Bonds 98.9%				
<i>Alabama 4.1%</i>				
Jefferson County, AL, Sewer Revenue	6.000%	10/1/42	\$ 1,120,000	\$ 1,258,824
Jefferson County, AL, Sewer Revenue: AGM	5.500%	10/1/53	400,000	439,436 ^(a)
Convertible CAB, Subordinated Lien	0.000%	10/1/50	3,020,000	1,956,205 ^(b)
Subordinated Lien Warrants	6.500%	10/1/53	3,000,000	3,491,220
<i>Total Alabama</i>				<i>7,145,685</i>
<i>Arizona 1.9%</i>				
Phoenix, AZ, IDA, Education Revenue, Basis School Inc.	5.000%	7/1/35	1,000,000	1,024,760 ^(c)
Salt Verde, AZ, Financial Corp. Gas Revenue	5.000%	12/1/37	1,500,000	1,716,720
University Medical Center Corp., AZ, Hospital Revenue	6.250%	7/1/29	500,000	596,660 ^(d)
<i>Total Arizona</i>				<i>3,338,140</i>
<i>California 9.5%</i>				
Anaheim, CA, Public Financing Authority Lease Revenue	5.000%	5/1/46	2,000,000	2,223,140
California State PCFA, Water Furnishing Revenue	5.000%	11/21/45	3,000,000	3,116,580 ^(e)
California State Public Works Board, Lease Revenue, Various Capital Project	5.125%	10/1/31	1,500,000	1,703,175
California Statewide CDA, Student Housing Revenue: Provident Group-Pomona Properties LLC	5.600%	1/15/36	505,000	510,298
Provident Group-Pomona Properties LLC	5.750%	1/15/45	360,000	355,921
Inland Valley, CA, Development Agency, Successor Agency Tax Allocation Revenue	5.000%	9/1/44	500,000	549,705
M-S-R Energy Authority, CA, Gas Revenue	7.000%	11/1/34	2,000,000	2,806,760
M-S-R Energy Authority, CA, Gas Revenue	6.500%	11/1/39	3,000,000	4,083,180
Redding, CA, Redevelopment Agency, Tax Allocation, Shastec Redevelopment Project	5.000%	9/1/29	600,000	600,228
River Islands, CA, Public Financing Authority Special Tax, Community Facilities District No. 2003-1	5.500%	9/1/45	620,000	640,962
<i>Total California</i>				<i>16,589,949</i>
<i>Colorado 4.5%</i>				
Colorado Educational & Cultural Facilities Authority Revenue: Cheyenne Mountain Charter Academy	5.250%	6/15/25	680,000	710,763
Cheyenne Mountain Charter Academy	5.125%	6/15/32	510,000	529,661
Elbert County Charter	7.375%	3/1/35	785,000	785,345
Public Authority for Colorado Energy, Natural Gas Purchase Revenue	6.125%	11/15/23	4,000,000	4,914,080
Reata South Metropolitan District, CO, GO	7.250%	6/1/37	1,000,000	957,750
<i>Total Colorado</i>				<i>7,897,599</i>

See Notes to Financial Statements.

Western Asset Municipal High Income Fund Inc.

	Rate	Maturity Date	Face Amount	Value
<i>Security</i>				
<i>Delaware 3.2%</i>				
Delaware State EDA Revenue, Indian River Power LLC	5.375%	10/1/45	\$ 2,000,000	\$ 2,191,420
Sussex County, DE, Recovery Zone Facility Revenue, NRG Energy Inc., Indian River Power LLC	6.000%	10/1/40	3,000,000	3,453,780
<i>Total Delaware</i>				<i>5,645,200</i>
<i>District of Columbia 1.5%</i>				
District of Columbia Revenue:				
Friendship Public Charter School Inc.	5.000%	6/1/42	2,000,000	2,093,560
KIPP Charter School	6.000%	7/1/33	200,000	233,190
KIPP Charter School	6.000%	7/1/43	250,000	286,360
<i>Total District of Columbia</i>				<i>2,613,110</i>
<i>Florida 3.7%</i>				
Bonnet Creek Resort Community Development District, Special Assessment	7.500%	5/1/34	835,000	835,284
Martin County, FL, IDA Revenue, Indiantown Cogeneration LP Project	4.200%	12/15/25	1,500,000	1,531,785 ^(f)
Palm Beach County, FL, Health Facilities Authority Revenue:				
Sinai Residences Boca Raton Project	7.500%	6/1/49	400,000	456,080
Sinai Residences Boca Raton Project, Entrance Fee	6.000%	6/1/21	300,000	325,989
Reunion, FL, East Community Development District, Special Assessment	7.375%	5/1/33	1,385,000	1,388,518
Reunion, FL, East Community Development District, Special Assessment	7.375%	5/1/33	615,000	430,500 ^(e)
Santa Rosa, FL, Bay Bridge Authority Revenue	6.250%	7/1/28	876,300	394,335 ^(e)
University of Central Florida, COP, FGIC	5.000%	10/1/25	1,000,000	1,014,000
<i>Total Florida</i>				<i>6,376,491</i>
<i>Georgia 3.7%</i>				
Atlanta, GA, Development Authority Educational Facilities Revenue, Science Park LLC Project	5.000%	7/1/32	2,000,000	2,147,900
Atlanta, GA, Water & Wastewater Revenue	6.250%	11/1/39	2,000,000	2,436,180 ^(d)
DeKalb, Newton & Gwinnett Counties, GA, Joint Development Authority Revenue, GGC Foundation LLC Project	6.125%	7/1/40	1,000,000	1,131,220
Franklin County, GA, Industrial Building Authority Revenue, Emmanuel College Inc.	6.000%	11/1/32	1,000,000	697,830
<i>Total Georgia</i>				<i>6,413,130</i>
<i>Hawaii 1.3%</i>				
Hawaii State Department of Budget & Finance Special Purpose Revenue, Hawaiian Electric Co.	6.500%	7/1/39	2,000,000	2,318,960
<i>Illinois 1.8%</i>				
Chicago, IL, Motor Fuel Tax Revenue, AGM	5.000%	1/1/32	1,000,000	1,098,590
Illinois Finance Authority Revenue, Refunding, Chicago Charter School Project	5.000%	12/1/26	1,000,000	1,014,450

See Notes to Financial Statements.

Schedule of investments (unaudited) (cont d)

April 30, 2015

Western Asset Municipal High Income Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Illinois continued</i>				
Illinois State Finance Authority Revenue, Franciscan Communities Inc.	5.250%	5/15/47	\$ 1,000,000	\$ 1,028,330
<i>Total Illinois</i>				<i>3,141,370</i>
<i>Indiana 2.1%</i>				
County of St. Joseph, IN, EDR:				
Holy Cross Village Notre Dame Project	6.000%	5/15/26	285,000	292,245
Holy Cross Village Notre Dame Project	6.000%	5/15/38	550,000	557,304
Indiana State Finance Authority Revenue, Private Activity Ohio River Bridges East End Crossing Project	5.000%	7/1/48	2,000,000	2,135,040 ^(f)
Valparaiso, IN, Exempt Facilities Revenue, Pratt Paper LLC Project	7.000%	1/1/44	500,000	611,670 ^(f)
<i>Total Indiana</i>				<i>3,596,259</i>
<i>Iowa 3.2%</i>				
Iowa State Finance Authority Midwestern Disaster Area Revenue:				
Iowa Fertilizer Co. Project	5.000%	12/1/19	500,000	541,750
Iowa Fertilizer Co. Project	5.250%	12/1/25	4,540,000	5,095,287
<i>Total Iowa</i>				<i>5,637,037</i>
<i>Kansas 0.7%</i>				
Salina, KS, Hospital Revenue, Refunding & Improvement Salina Regional Health	5.000%	10/1/22	1,150,000	1,195,299
<i>Kentucky 1.3%</i>				
Owen County, KY, Waterworks System Revenue, Kentucky American Water Co. Project	6.250%	6/1/39	2,000,000	2,303,700
<i>Louisiana 0.1%</i>				
Epps, LA, COP	8.000%	6/1/18	775,000	155,000 ^(e)
<i>Maryland 2.0%</i>				
Maryland State Health & Higher EFA Revenue, Mercy Medical Center	6.250%	7/1/31	3,000,000	3,419,280
<i>Massachusetts 0.7%</i>				
Massachusetts State DFA Revenue, Tufts Medical Center Inc.	6.875%	1/1/41	1,000,000	1,185,840
<i>Michigan 3.1%</i>				
Gaudior Academy, COP	7.250%	4/1/34	1,000,000	235,700 ^{(g)(h)}
Michigan State Finance Authority Limited Obligation Revenue:				
Higher Education, Thomas M Cooley Law School Project	6.000%	7/1/24	310,000	319,347 ^(c)
Higher Education, Thomas M Cooley Law School Project	6.750%	7/1/44	430,000	458,973 ^(c)
Michigan State Finance Authority Revenue:				
Senior Lien Detroit Water & Sewer	5.000%	7/1/33	260,000	282,248
Senior Lien Detroit Water & Sewer	5.000%	7/1/44	270,000	284,067
Michigan State Strategic Fund Limited Obligation Revenue:				
Evangelical Homes of Michigan	5.250%	6/1/32	500,000	527,125
Evangelical Homes of Michigan	5.500%	6/1/47	750,000	774,330

See Notes to Financial Statements.

Western Asset Municipal High Income Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Michigan continued</i>				
Royal Oak, MI, Hospital Finance Authority Revenue, William Beaumont Hospital	8.250%	9/1/39	\$ 2,000,000	\$ 2,471,860 ^(d)
<i>Total Michigan</i>				<i>5,353,650</i>
<i>Missouri 2.9%</i>				
Missouri State HEFA Revenue:				
Lutheran Senior Services	6.000%	2/1/41	500,000	571,430
Lutheran Senior Services	5.000%	2/1/44	750,000	803,662
Refunding, St. Lukes Episcopal	5.000%	12/1/21	1,300,000	1,387,243
St. Louis County, MO, IDA, Senior Living Facilities Revenue, Friendship Village of Sunset Hills	5.875%	9/1/43	2,000,000	2,362,440
<i>Total Missouri</i>				<i>5,124,775</i>
<i>Nebraska 2.1%</i>				
Central Plains Energy Project, NE, Gas Project Revenue, Project #3	5.000%	9/1/42	3,340,000	3,633,987
<i>Nevada 0.5%</i>				
Director of the State of Nevada Department of Business & Industry Revenue:				
Somerset Academy of Las Vegas	5.000%	12/15/35	300,000	300,474
Somerset Academy of Las Vegas	5.125%	12/15/45	500,000	498,820
<i>Total Nevada</i>				<i>799,294</i>
<i>New Jersey 6.4%</i>				
Gloucester County, NJ, PCFA Revenue, Keystone Urban Renewal, Logan Generating	5.000%	12/1/24	450,000	508,793 ^(f)
New Jersey State EDA Revenue:				
Private Activity-The Goethals Bridge Replacement Project	5.375%	1/1/43	1,500,000	1,661,130 ^(f)
Refunding	6.875%	1/1/37	4,985,000	5,035,747 ^(f)
New Jersey State Higher Education Assistance Authority, Student Loan Revenue	5.000%	12/1/44	640,000	650,822 ^(f)
Salem County, NJ, PCFA Revenue, Chambers Project	5.000%	12/1/23	3,000,000	3,401,010 ^(f)
<i>Total New Jersey</i>				<i>11,257,502</i>
<i>New York 3.2%</i>				
Brooklyn Arena, NY, Local Development Corp., Barclays Center Project	6.250%	7/15/40	2,000,000	2,339,840
New York City, NY, IDA, Civic Facilities Revenue, Special Needs Facilities Pooled Program	8.125%	7/1/19	55,000	55,012
New York State Liberty Development Corp., Liberty Revenue:				
3 World Trade Center LLC Project	5.375%	11/15/40	1,500,000	1,647,090 ^(e)
3 World Trade Center LLC Project	5.000%	11/15/44	1,500,000	1,561,110 ^(e)
<i>Total New York</i>				<i>5,603,052</i>

See Notes to Financial Statements.

Schedule of investments (unaudited) (cont d)

April 30, 2015

Western Asset Municipal High Income Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Ohio 2.1%</i>				
Cuyahoga County, OH, Hospital Facilities Revenue, Canton Inc. Project	7.500%	1/1/30	\$ 1,295,000	\$ 1,297,214
Miami County, OH, Hospital Facilities Revenue, Refunding and Improvement Upper Valley Medical Center	5.250%	5/15/21	1,500,000	1,569,765
Ohio State Private Activity Revenue, Portsmouth Bypass Project	5.000%	6/30/53	700,000	745,864 ^(f)
<i>Total Ohio</i>				<i>3,612,843</i>
<i>Oklahoma 1.4%</i>				
Tulsa County, OK, Industrial Authority, Senior Living Community Revenue:				
Montereau Inc. Project	6.875%	11/1/23	1,300,000	1,300,000
Montereau Inc. Project	7.125%	11/1/30	1,000,000	1,103,460
<i>Total Oklahoma</i>				<i>2,403,460</i>
<i>Pennsylvania 4.0%</i>				
Erie County, PA, Convention Center Authority Gtd. Hotel Revenue, County GTD	5.000%	1/15/36	750,000	836,550
Monroe County, PA, Hospital Authority Revenue, Pocono Medical Center	5.000%	1/1/27	1,000,000	1,057,510
Montgomery County, PA, IDA Revenue:				
Acts Retirement-Life Communities	5.000%	11/15/28	1,400,000	1,524,362
Acts Retirement-Life Communities	5.000%	11/15/29	1,350,000	1,468,165
Pennsylvania State Economic Development Financing Authority Revenue, Rapid Bridge Replacement Project	5.000%	6/30/42	1,000,000	1,078,000 ^(f)
Philadelphia, PA, Authority for IDR:				
Discovery Charter School Inc. Project	6.250%	4/1/37	500,000	525,080
Performing Arts Charter School Project	6.000%	6/15/23	500,000	521,590 ^(c)
<i>Total Pennsylvania</i>				<i>7,011,257</i>
<i>Puerto Rico 0.9%</i>				
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue	5.250%	8/1/41	1,500,000	820,905
Puerto Rico Sales Tax Financing Corp., Sales Tax Revenue	5.000%	8/1/43	1,500,000	791,265
<i>Total Puerto Rico</i>				<i>1,612,170</i>
<i>Tennessee 1.4%</i>				
Shelby County, TN, Health Educational & Housing Facilities Board Revenue, Trezevant Manor Project	5.750%	9/1/37	2,500,000	2,530,200
<i>Texas 20.4%</i>				
Brazos River, TX, Harbor Industrial Development Corp., Environmental Facilities Revenue, Dow Chemical Co.	5.900%	5/1/28	1,500,000	1,639,650 ^{(b)(f)(i)}
Central Texas Regional Mobility Authority Revenue	5.000%	1/1/42	2,000,000	2,151,160
Dallas-Fort Worth, TX, International Airport Revenue, Joint Improvement	5.000%	11/1/42	4,000,000	4,280,840 ^(f)

See Notes to Financial Statements.

Western Asset Municipal High Income Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Texas continued</i>				
Grand Parkway Transportation Corp., TX, System Toll Revenue, Convertible CABs	0.000%	10/1/35	\$ 1,500,000	\$ 1,166,685 ^(b)
Gulf Coast, TX, IDA Revenue, Citgo Petroleum Corp. Project	4.875%	5/1/25	1,000,000	1,050,340 ^(f)
Harris County, TX, Cultural Education Facilities Finance Corp., Medical Facilities Revenue, Baylor College of Medicine	5.625%	11/15/32	2,000,000	2,277,260
Love Field Airport Modernization Corp., TX, Special Facilities Revenue, Southwest Airlines Co. Project	5.250%	11/1/40	6,000,000	6,554,640
New Hope Cultural Education Facilities Finance Corp., TX, Student Housing Revenue, Collegiate Housing Stephenville II LLC, Tarleton State University Project	5.000%	4/1/39	1,165,000	1,245,210
North Texas Tollway Authority Revenue	5.750%	1/1/40	2,500,000	2,757,625
Texas Midwest Public Facility Corp. Revenue, Secure Treatment Facility Project	9.000%	10/1/30	2,000,000	360,000 ^(e)
Texas Private Activity Bond Surface Transportation Corp., Senior Lien, NTE Mobility Partners LLC	6.875%	12/31/39	2,000,000	2,385,120
Texas Private Activity Bond Surface Transportation Corp. Revenue, LBJ Infrastructure Group LLC	7.000%	6/30/40	4,000,000	4,832,720
Texas State Municipal Gas Acquisition & Supply Corp. III, Gas Supply Revenue	5.000%	12/15/28	1,500,000	1,676,760
Texas State Public Finance Authority:				
Charter School Finance Corp. Revenue, Cosmos Foundation Inc.	6.200%	2/15/40	1,000,000	1,151,490
Uplift Education	5.750%	12/1/27	1,500,000	1,642,305
Willacy County, TX, PFC Project Revenue, County Jail	7.500%	11/1/25	445,000	428,313
<i>Total Texas</i>				<i>35,600,118</i>
<i>U.S. Virgin Islands 1.7%</i>				
Virgin Islands Public Finance Authority Revenue, Matching Fund Loan	6.750%	10/1/37	2,500,000	2,884,675
<i>Virginia 1.9%</i>				
Virginia State Small Business Financing Authority Revenue:				
Elizabeth River Crossings OpCo LLC Project	5.250%	1/1/32	1,000,000	1,101,230 ^(f)
Elizabeth River Crossings OpCo LLC Project	5.500%	1/1/42	2,000,000	2,182,360 ^(f)
<i>Total Virginia</i>				<i>3,283,590</i>
<i>West Virginia 1.5%</i>				
Pleasants County, WV, PCR, Refunding, County Commission, Allegheny Energy Supply Co., LLC	5.250%	10/15/37	2,500,000	2,645,525

See Notes to Financial Statements.

Schedule of investments (unaudited) (cont'd)

April 30, 2015

Western Asset Municipal High Income Fund Inc.

Security	Rate	Maturity Date	Face Amount	Value
<i>Wisconsin</i> 0.1%				
Public Finance Authority, WI, Revenue, Church Home of Hartford Inc.	5.000%	9/1/38	\$ 250,000	\$ 250,538 ^(c)
Total Municipal Bonds (Cost \$160,191,051)				172,578,685
Total Investments 98.9% (Cost \$160,191,051#)				172,578,685
Other Assets in Excess of Liabilities 1.1%				1,951,844
Total Net Assets 100.0%				\$ 174,530,529

(a) All or a portion of this security is held at the broker as collateral for open futures contracts.

(b) Variable rate security. Interest rate disclosed is as of the most recent information available.

(c) 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 guidelines approved by the Board of Directors, unless otherwise noted.

(d) Pre-Refunded bonds are escrowed with U.S. government obligations and/or U.S. government agency securities and are considered by the manager to be triple-A rated even if issuer has not applied for new ratings.

(e) The coupon payment on these securities is currently in default as of April 30, 2015.

(f) Income from this issue is considered a preference item for purposes of calculating the alternative minimum tax (AMT).

(g) Illiquid security.

(h) Security is valued in good faith in accordance with procedures approved by the Board of Directors (See Note 1).

(i) Maturity date shown represents the mandatory tender date.

Aggregate cost for federal income tax purposes is substantially the same.

Abbreviations used in this schedule:

AGM	Assured Guaranty Municipal Corporation	Insured Bonds
CAB	Capital Appreciation Bonds	
CDA	Communities Development Authority	
COP	Certificates of Participation	
DFA	Development Finance Agency	
EDA	Economic Development Authority	
EDR	Economic Development Revenue	
EFA	Educational Facilities Authority	
FGIC	Financial Guaranty Insurance Company	Insured Bonds
GO	General Obligation	
GTD	Guaranteed	
HEFA	Health & Educational Facilities Authority	
IDA	Industrial Development Authority	
IDR	Industrial Development Revenue	
PCFA	Pollution Control Financing Authority	
PCR	Pollution Control Revenue	
PFC	Public Facilities Corporation	

[See Notes to Financial Statements.](#)

Western Asset Municipal High Income Fund Inc.

Ratings Table* (unaudited)

Standard & Poor's/Moody's/Fitch**

AA/Aa	3.7%
A	20.3
BBB/Baa	47.8
BB/Ba	12.7
B/B	0.6
CCC/Caa	0.9
NR***	14.0
	100.0%

* As a percentage of total investments.

** The ratings shown are based on each portfolio security's rating as determined by Standard & Poor's, Moody's or Fitch, each a Nationally Recognized Statistical Rating Organization (NRSRO). These ratings are the opinions of the NRSRO and are not measures of quality or guarantees of performance. Securities may be rated by other NRSROs, and these ratings may be higher or lower. In the event that a security is rated by multiple NRSROs and receives different ratings, the Fund will treat the security as being rated in the lowest rating category received from a NRSRO.

*** The credit quality of unrated investments is evaluated based upon certain factors including, but not limited to, credit ratings for similar investments and financial analysis of sectors and individual investments.

See Notes to Financial Statements.

Statement of assets and liabilities (unaudited)

April 30, 2015

Assets:	
Investments, at value (Cost \$160,191,051)	\$ 172,578,685
Interest receivable	2,969,782
Receivable for securities sold	20,000
Receivable from broker variation margin on open futures contracts	6,188
Prepaid expenses	18,980
Total Assets	175,593,635
Liabilities:	
Due to custodian	926,075
Investment management fee payable	79,358
Directors fees payable	307
Accrued expenses	57,366
Total Liabilities	1,063,106
Total Net Assets	\$ 174,530,529
Net Assets:	
Par value (\$0.01 par value; 21,600,403 shares issued and outstanding; 500,000,000 shares authorized)	\$ 216,004
Paid-in capital in excess of par value	173,973,592
Overdistributed net investment income	(55,840)
Accumulated net realized loss on investments and futures contracts	(12,034,727)
Net unrealized appreciation on investments and futures contracts	12,431,500
Total Net Assets	\$ 174,530,529
Shares Outstanding	21,600,403
Net Asset Value	\$8.08

See Notes to Financial Statements.

Statement of operations (unaudited)

For the Six Months Ended April 30, 2015

Investment Income:	
<i>Interest</i>	\$ 4,541,003
Expenses:	
Investment management fee (Note 2)	478,830
Transfer agent fees	39,976
Audit and tax fees	24,409
Shareholder reports	14,244
Directors' fees	13,931
Legal fees	13,018
Stock exchange listing fees	10,544
Fund accounting fees	8,695
Insurance	1,872
Custody fees	602
Miscellaneous expenses	5,626
<i>Total Expenses</i>	611,747
Net Investment Income	3,929,256
Realized and Unrealized Gain (Loss) on Investments and Futures Contracts (Notes 1, 3 and 4):	
Net Realized Gain (Loss) From:	
Investment transactions	21,807
Futures contracts	(380,358)
<i>Net Realized Loss</i>	(358,551)
Change in Net Unrealized Appreciation (Depreciation) From:	
Investments	(662,940)
Futures contracts	148,757
<i>Change in Net Unrealized Appreciation (Depreciation)</i>	(514,183)
Net Loss on Investments and Futures Contracts	(872,734)
Increase in Net Assets From Operations	\$ 3,056,522

See Notes to Financial Statements.

Statements of changes in net assets

For the Six Months Ended April 30, 2015 (unaudited)
and the Year Ended October 31, 2014

	2015	2014
Operations:		
Net investment income	\$ 3,929,256	\$ 7,729,741
Net realized loss	(358,551)	(993,475)
Change in net unrealized appreciation (depreciation)	(514,183)	13,447,130
<i>Increase in Net Assets from Operations</i>	<i>3,056,522</i>	<i>20,183,396</i>
Distributions To Shareholders From (Note 1):		
Net investment income	(3,758,470)	(7,948,949)
<i>Decrease in Net Assets from Distributions to Shareholders</i>	<i>(3,758,470)</i>	<i>(7,948,949)</i>
<i>Increase (Decrease) in Net Assets</i>	<i>(701,948)</i>	<i>12,234,447</i>
Net Assets:		
Beginning of period	175,232,477	162,998,030
End of period*	\$ 174,530,529	\$ 175,232,477
*Includes overdistributed net investment income of:	\$(55,840)	\$(226,626)

See Notes to Financial Statements.

Financial highlights

For a share of capital stock outstanding throughout each year ended October 31, unless otherwise noted:						
	2015 ^{1,2}	2014 ¹	2013 ¹	2012	2011	2010
Net asset value, beginning of period	\$8.11	\$7.55	\$8.20	\$7.63	\$7.84	\$7.45
Income (loss) from operations:						
Net investment income	0.18	0.36	0.38	0.40	0.42	0.43
Net realized and unrealized gain (loss)	(0.04)	0.57	(0.65)	0.58	(0.19)	0.40
Total income (loss) from operations	0.14	0.93	(0.27)	0.98	0.23	0.83
Less distributions from:						
Net investment income	(0.17) ³	(0.37)	(0.38)	(0.41)	(0.44)	(0.44)
Total distributions	(0.17)	(0.37)	(0.38)	(0.41)	(0.44)	(0.44)
Net asset value, end of period	\$8.08	\$8.11	\$7.55	\$8.20	\$7.63	\$7.84
Market price, end of period	\$7.87	\$7.47	\$6.85	\$8.47	\$7.52	\$7.93
Total return, based on NAV^{4,5}	1.79%	12.60%	(3.41)%	13.17%	3.39%	11.69%
Total return, based on Market Price⁶	7.77%	14.76%	(14.91)%	18.65%	0.74%	16.09%
Net assets, end of period (millions)	\$175	\$175	\$163	\$177	\$164	\$168
Ratios to average net assets:						
Gross expenses	0.70% ⁷	0.71%	0.69%	0.69%	0.68%	0.70%
Net expenses ⁸	0.70 ⁷	0.71	0.69	0.69	0.68	0.70
Net investment income	4.51 ⁷	4.58	4.81	5.09	5.63	5.70
Portfolio turnover rate	3%	16%	15%	13%	10%	17%

¹ Per share amounts have been calculated using the average shares method.

² For the six months ended April 30, 2015 (unaudited).

³ The actual source of the Fund's current fiscal year distributions may be from net investment income, return of capital or a combination of both. Shareholders will be informed of the tax characteristics of the distributions after the close of the fiscal year.

⁴ Performance figures may reflect compensating balance arrangements, fee waivers and/or expense reimbursements. In the absence of compensating balance arrangements, fee waivers and/or expense reimbursements, the total return would have been lower. Past performance is no guarantee of future results. Total returns for periods of less than one year are not annualized.

⁵ The total return calculation assumes that distributions are reinvested at NAV. Prior to January 1, 2012, the total return calculation assumed the reinvestment of all distributions in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results. Total returns for periods of less than one year are not annualized.

⁶ The total return calculation assumes that distributions are reinvested in accordance with the Fund's dividend reinvestment plan. Past performance is no guarantee of future results. Total returns for periods of less than one year are not annualized.

⁷ Annualized.

⁸ The impact of compensating balance arrangements, if any, was less than 0.01%.

[See Notes to Financial Statements.](#)

Notes to financial statements (unaudited)

1. Organization and significant accounting policies

Western Asset Municipal High Income Fund Inc. (the 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 1940 Act). The Fund seeks high current income exempt from federal income taxes.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP). 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. Subsequent events have been evaluated through the date the financial statements were issued.

(a) Investment valuation. The valuations for fixed income securities (which may include, but are not limited to, corporate, government, municipal, mortgage-backed, collateralized mortgage obligations and asset-backed securities) and certain derivative instruments are typically the prices supplied by independent third party pricing services, which may use market prices or broker/dealer quotations or a variety of valuation techniques and methodologies. The independent third party pricing services use inputs that are observable such as issuer details, interest rates, yield curves, prepayment speeds, credit risks/spreads, default rates and quoted prices for similar securities. Short-term fixed income securities that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment's fair value. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. If independent third party pricing services are unable to supply prices for a portfolio investment, or if the prices supplied are deemed by the manager to be unreliable, the market price may be determined by the manager using quotations from one or more broker/dealers or at the transaction price if the security has recently been purchased and no value has yet been obtained from a pricing service or pricing broker. When reliable prices are not readily available, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities as determined in accordance with procedures approved by the Fund's Board of Directors.

The Board of Directors is responsible for the valuation process and has delegated the supervision of the daily valuation process to the Legg Mason North Atlantic Fund Valuation Committee (formerly, Legg Mason North American Fund Valuation Committee) (the Valuation Committee). The Valuation Committee, pursuant to the policies adopted by the Board of Directors, is responsible for making fair value determinations, evaluating the effectiveness of the Fund's pricing policies, and reporting to the Board of Directors. When determining the reliability of third party pricing information for investments owned by the Fund, the Valuation Committee, among other things, conducts due diligence reviews of pricing vendors, monitors the daily change in prices and reviews transactions among market participants.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making fair value determinations. Examples of possible methodologies include, but are not limited to, multiple of earnings; discount from market of a similar freely traded security; discounted cash-flow analysis; book value or a multiple thereof; risk premium/yield analysis; yield to maturity; and/or fundamental investment analysis. The Valuation Committee will also consider factors it deems relevant and appropriate in light of the facts and circumstances. Examples of possible factors include, but are not limited to, the type of security; the issuer's financial statements; the purchase price of the security; the discount from market value of unrestricted securities of the same class at the time of purchase; analysts' research and observations from financial institutions; information regarding any transactions or offers with respect to the security; the existence of merger proposals or tender offers affecting the security; the price and extent of public trading in similar securities of the issuer or comparable companies; and the existence of a shelf registration for restricted securities.

For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Directors, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such back testing monthly and fair valuation occurrences are reported to the Board of Directors quarterly.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

GAAP establishes a disclosure hierarchy that categorizes the inputs to valuation techniques used to value assets and liabilities at measurement date. These inputs are summarized in the three broad levels listed below:

Level 1 quoted prices in active markets for identical investments

Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodologies used to value securities are not necessarily an indication of the risk associated with investing in those securities.

Notes to financial statements (unaudited) (cont d)

The following is a summary of the inputs used in valuing the Fund's assets carried at fair value:

Description	ASSETS			Total
	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Municipal bonds :				
Michigan		\$ 5,117,950	\$ 235,700	\$ 5,353,650
Other municipal bonds		167,225,035		167,225,035
Total investments		\$ 172,342,985	\$ 235,700	\$ 172,578,685
Other financial instruments:				
Futures contracts	\$ 43,866			\$ 43,866
Total	\$ 43,866	\$ 172,342,985	\$ 235,700	\$ 172,622,551

See Schedule of Investments for additional detailed categorizations.

(b) Futures contracts. The Fund uses futures contracts generally to gain exposure to, or hedge against, changes in interest rates or gain exposure to, or hedge against, changes in certain asset classes. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the