FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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SALOMON INC

CIK:**200245**| IRS No.: **221660266** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-04346** | Film No.: **94528372**
SIC: **6200** Security & commodity brokers, dealers, exchanges & services

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934 for the quarterly period ended
March 31, 1994
Commission File Number 1-4346

SALOMON INC
(Exact name of registrant as specified in its charter)

Delaware	22-1660266
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Seven World Trade Center, New York, New York	10048
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 783-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Number of shares of common stock outstanding at April 30, 1994: 105,933,512

SALOMON INC
Form 10-Q

PART I FINANCIAL INFORMATION

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

<TABLE>

CONSOLIDATED STATEMENT OF INCOME
(unaudited)

<CAPTION>

Dollars in millions, except per share amounts Three months ended March 31,	1994	1993
<S>	<C>	<C>
Revenues:		
Interest and dividends	$1,302	$1,420
Principal transactions	197	(50)
Investment banking	170	149
Commissions	90	66
Other	10	6
Total revenues	1,769	1,591
Interest expense	1,058	1,168
Revenues, net of interest expense	711	423
Noninterest expenses:		
Compensation and employee-related	417	338
Technology	61	63
Occupancy	38	49
Professional services and business development	34	28
Clearing and exchange fees	19	14
Other	30	44
Total noninterest expenses	599	536
Income (loss) before taxes and cumulative effect of change in accounting principles	112	(113)
Income taxes	46	(48)
Income (loss) before cumulative effect of change in accounting principles	66	(65)
Cumulative effect of change in accounting principles, net of tax benefit of $28	-	(37)
Net income (loss)	$ 66	$ (102)
Per common share:		
Primary earnings (loss) before cumulative effect of change in accounting principles	$ 0.48	$(0.76)
Cumulative effect of change in accounting principles	-	(0.34)
Primary earnings (loss)	$ 0.48	$(1.10)
Fully diluted earnings (loss) before cumulative effect of change in accounting principles	$ 0.48	$(0.76)
Cumulative effect of change in accounting principles	-	(0.34)
Fully diluted earnings (loss)	$ 0.48	$(1.10)
Dividends	$ 0.16	$ 0.16
Weighted average shares of common stock outstanding (in thousands):		
For primary earnings per share	110,600	110,100
For fully diluted earnings per share	111,100	110,100

<FN>

The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.

</TABLE>

XXX BEGIN PAGE 4 XXX

<TABLE>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(unaudited)

<CAPTION>

Dollars in millions	March 31, 1994		December 31, 1993	
<S>	<C>	<C>	<C>	<C>
ASSETS				
Cash		$ 688		$ 908
Financial instruments:				
U.S. government and agency securities	$32,624		$42,485	
Non-U.S. government securities	33,127		38,279	
Corporate debt securities	13,130		11,876	
Options and contractual commitments	10,743		8,485	
Equity securities	6,135		7,178	
Mortgage loans and collateralized mortgage securities	4,436		4,227	
Money markets, municipal securities and other	2,266		6,278	
		102,461		118,808

Commodities-related products and instruments:				
Crude oil, refined products and other physical commodities	389		488	
Options and contractual commitments	395		366	
		784		854
Collateralized short-term financing agreements:				
Securities purchased under agreements to resell	37,691		36,924	
Securities borrowed and other	12,224		11,965	
		49,915		48,889
Receivables		13,928		9,659
Assets securing collateralized mortgage obligations		3,657		3,887
Property, plant and equipment, net		1,124		1,122
Other assets, including intangibles		759		708
Total assets		$173,316		$184,835

<FN>
The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.
</TABLE>

<TABLE>
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Unaudited)
<CAPTION>

Dollars in millions	March 31, 1994		December 31, 1993	
<S>	<C>	<C>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Short-term borrowings:				
Securities sold under agreements to repurchase	$74,167		$86,066	
Bank borrowings	4,141		3,644	
Securities loaned	2,445		2,172	
Deposit liabilities	2,159		1,293	
Commercial paper	962		1,344	
Other	2,680		3,371	
		$ 86,554		$ 97,890
Financial and commodities-related energy instruments sold, not yet purchased, and other contractual commitments:				
U.S. government and agency securities	25,566		30,714	
Non-U.S. government securities	12,349		9,604	
Financial options and contractual commitments	10,683		10,619	
Equity securities	3,465		3,434	
Corporate debt securities	1,945		1,635	
Commodities, including options and contractual commitments	553		464	
		54,561		56,470
Payables and accrued liabilities		9,645		9,644
Collateralized mortgage obligations		3,499		3,808
Term debt		13,950		11,692
Total liabilities		168,209		179,504
Commitments and contingencies (Note 2)				
Redeemable preferred stock, Series A		700		700
Stockholders' equity:				
Preferred stock, Series C and D	312		312	
Common stock	156		156	
Additional paid-in capital	297		295	
Retained earnings	5,242		5,208	
Cumulative translation adjustments	(2)		(11)	
Equity Partnership Plan,net	45		85	
Common stock held in treasury, at cost	(1,643)		(1,414)	
Total stockholders' equity		4,407		4,631
Total liabilities and stockholders' equity		$173,316		$184,835

<FN>
The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.
</TABLE>

<TABLE>
SUMMARY OF OPTIONS AND CONTRACTUAL COMMITMENTS

(unaudited)

Market or Fair Value Recorded as Assets on the Statement of Financial Condition

<CAPTION>

Dollars in billions	March 31, 1994	Month-end High	Month-end Low	Quarter* Average	December 31, 1993
<S>	<C>	<C>	<C>	<C>	<C>
Swap agreements, swap options, caps and floors	$ 8.0	$ 8.0	$ 5.8	$ 6.4	$ 6.0
Index and equity options and warrants	1.2	1.3	1.1	1.2	1.1
Foreign exchange contracts and options	1.1	1.3	.8	1.1	1.1
Other	.4	.4	.3	.4	.3
Total market or fair value of financial options and contractual commitments	$ 10.7			$ 9.1	$ 8.5
Commodities-related instruments	$ .4	$ .4	$ .3	$ .4	$ .4

<FN>
* Based on month-end balances; on a weekly basis, average financial options and contractual commitments were $7.9 billion.
</TABLE>
<TABLE>
Credit Exposure, Net of Collateral, By Risk Class*
<CAPTION>

Dollars in billions	March 31, 1994			
	All Transactions		Transactions With More Than 3 Years to Maturity	
	Banks	NonBanks	Banks	NonBanks
<S>	<C>	<C>	<C>	<C>
Financial over-the-counter derivatives, excluding foreign exchange:				
Risk classes 1 and 2	$ 1.0	$ .3	$ .5	$ .2
Risk class 3	.5	.8	.2	.5
Risk classes 4 and 5	.5	.6	.3	.2
	2.0	1.7	1.0	.9
Foreign exchange:				
Risk classes 1 and 2	.2	.1	-	-
Risk class 3	.1	.1	-	-
Risk classes 4 and 5	.1	.3	-	-
	.4	.5	-	-
Total credit exposure, net of collateral	$ 2.4	$ 2.2	$ 1.0	$ .9
Commodities-related instruments**	$ -	$ .4	$ -	$ -

<FN>
*To monitor credit risk, the Company utilizes a series of eight internal designations of counterparty credit quality. These designations are analogous to external credit ratings whereby risk classes one through three are high quality investment grades. Risk classes four and five include counterparties ranging from the lowest investment grade to the highest non-investment grade level. Risk classes six, seven and eight represent higher risk counterparties and, at March 31, 1994, were less than $100 million.
**The substantial majority of credit exposure arising from commodities-related instruments is with counterparties of investment grade quality. A small portion of such exposure relates to transactions with more than three years to maturity.
</TABLE>
<TABLE>
Notional Amounts
<CAPTION>

Dollars in billions	March 31, 1994	December 31, 1993
<S>	<C>	<C>
Financial futures contracts	$ 588	$ 473
Swap Agreements	277	233
Financial options and warrants sold or written	106	102
Forward securities contracts	103	98
Forward currency contracts	60	51
Interest rate cap and floor agreements written	35	32
Commodities-related contractual commitments and options written	18	10

</TABLE>

XXX BEGIN PAGE 7 XXX
<TABLE>
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)
<CAPTION>

Dollars in millions Three months ended March 31,	1994	1993
<S>	<C>	<C>
Cash used in operating activities	$ (1,882)	$ (962)

Cash flows from financing activities:		
Proceeds from -		
Issuance of term debt	2,938	1,855
Issuance of preferred stock	-	200
Employee stock purchase and option plans	7	16
Total cash proceeds from financing activities	2,945	2,071
Payments for -		
Term debt maturities and repurchases	854	758
Collateralized mortgage obligations	337	198
Purchase of common stock for treasury	237	-
Dividends on common stock	18	18
Dividends on preferred stock*	13	18
Equity Partnership Plan, net	40	14
Total cash payments for financing activities	1,499	1,006
Cash provided by financing activities	1,446	1,065
Cash flows from investing activities:		
Proceeds from -		
Assets securing collateralized mortgage obligations	255	296
Total cash proceeds from investing activities	255	296
Payments for -		
Property, plant and equipment	39	43
Total cash payments for investing activities	39	43
Cash provided by investing activities	216	253
Increase (decrease) in cash	(220)	356
Cash at January 1	908	620
Cash at March 31	$ 688	$ 976

<FN>
The accompanying Notes to Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.
* Dividends on preferred stock are adjusted for the after tax impact of interest rate swaps that effectively convert the Company's fixed-rate dividend obligations to variable-rate obligations. In the first quarter of 1993, the impact of the swaps related to the Series A Preferred was included in reported earnings.
</TABLE>

Notes to Unaudited Condensed Consolidated Financial Statements

1. Basis of Presentation

The Unaudited Condensed Consolidated Financial Statements include the accounts of Salomon Inc and all majority-owned subsidiaries for which control is deemed to be other than temporary (collectively, the "Company"). These financial statements include all adjustments necessary for a fair presentation of financial condition, results of operations and cash flows. The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993. In the first quarter of 1994, the Company reclassified precious metals and related options from Financial instruments to Commodities-related products and instruments on its Consolidated Statement of Financial Condition. Prior period amounts have been reclassified to conform with the current presentation.

2. Legal Proceedings

Outstanding legal and environmental matters are discussed in Note 14 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993. In management's opinion, there have been no changes in the status of, nor additions to, such matters that will result in any material adverse impact on the Company's financial condition.

3. Net Capital

Certain U.S. and non-U.S. subsidiaries are subject to various securities and commodities regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate.

The Company's principal regulated subsidiaries are discussed below.

Salomon Brothers Inc is registered as a broker-dealer with the U.S. Securities and Exchange Commission ("SEC") and is subject to the SEC's Uniform Net Capital Rule, Rule 15c3-1, which requires net capital, as defined under the alternative method, of not less than the greater of 2% of aggregate debit items arising from customer transactions, as defined, or 4% of funds required to be segregated for customers' regulated commodity accounts, as defined. Although net capital, aggregate debit items and funds required to be segregated change from day to day, at March 31, 1994, SBI's net capital was $1,283 million, $1,209 million in excess of regulatory requirements.

Salomon Brothers International Limited ("SBIL") is authorized to conduct investment business in the United Kingdom by the Securities and Futures Authority ("SFA") in accordance with the Financial Services Act 1986 (the "Act"). The SFA requires SBIL to have available at all times financial resources, as defined, sufficient to demonstrate continuing compliance with its rules. At March 31, 1994, SBIL's financial resources were $536 million in excess of regulatory requirements.

Salomon Brothers Asia Limited ("SBAL") and Salomon Brothers AG ("SBAG") are also subject to regulation in the countries in which they do business. Such regulations include requirements to maintain specified levels of net capital or its equivalent. At March 31, 1994, SBAL's net

capital was
$789 million above the minimum required by Japan's Ministry of Finance. SBAG's net capital was $55 million above the minimum required by Germany's Banking Supervisory Authority.

4. Industry Segment Reporting

The accompanying Management's Discussion and Analysis section includes a discussion of the operating results of the Company's industry segments. The Company's investment banking and securities activities are conducted by Salomon Brothers Holding Company Inc and its subsidiaries ("Salomon Brothers"). Commodities trading activities are conducted by the Phibro Division of Salomon Inc ("Phibro Division") and crude oil refining activities and certain other asset-based businesses are conducted by Phibro Energy USA, Inc. ("Phibro USA"). Results of The Mortgage Corporation Group Limited ("TMC"), an indirect wholly-owned subsidiary of the Company, are included in "Corporate and Other". Prior to the third quarter of 1993, TMC's results were included in the Salomon Brothers segment. Prior period results have not been restated due to immateriality. The results of Phibro Energy Production, Inc. ("PEPI"), a partner in the White Nights Russian-American oil joint venture, are also included in "Corporate and Other." Industry segment financial information is prepared in accordance with generally accepted accounting principles in the United States.

Segment results for all periods presented include a partial allocation of Salomon Inc corporate-level expenses, the most significant of which is corporate-level net interest expense, which is allocated to the respective operating segments based upon their proportional use of the Company's equity capital. Corporate-level expenses incurred for the benefit of a particular operating segment are allocated directly to that segment. Corporate-level expenses that cannot be directly associated with the Company's operating segments are included in "Corporate and Other."

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

<TABLE>

SUMMARY OF CONSOLIDATED OPERATING RESULTS

<CAPTION>

Dollars in millions, except per share amounts Three months ended March 31,	1994	1993
<S>	<C>	<C>
Income (loss) before taxes and cumulative effect of change in accounting principles by segment:		
Salomon Brothers	$ 39	$ (89)
Phibro Division	50	6
Phibro USA	27	(13)
Corporate and Other	(4)	(17)
Income (loss) before taxes and cumulative effect of change in accounting principles	112	(113)
Income taxes	46	(48)
Income (loss) before cumulative effect of change in accounting principles	66	(65)
Cumulative effect of change in accounting principles, net of related income taxes	-	(37)
Net income (loss)	$ 66	$ (102)
Per Common Share:*		
Primary earnings (loss)	$ 0.48	$ (1.10)
Fully diluted earnings (loss)**	$ 0.48	$ (1.10)
Cash dividends	$ 0.16	$ 0.16
Book value at period-end	$ 38.23	$ 30.88
Annualized return on average common stockholders' equity:*		
Primary method	4.9%	(9.7)%
Fully diluted method**	4.9%	(9.7)%

<FN>

*1993 earnings per share data includes reductions of $.34 related to a cumulative change in accounting for certain postretirement benefits; 1993 return on average common stockholders' equity was calculated on earnings before the cumulative effect of the change in accounting principles.

**Assumes conversion of convertible notes and redeemable preferred stock, unless such assumptions result in higher returns on equity or earnings per share than determined under the primary method.

</TABLE>

Salomon Inc recorded net income of $66 million for the 1994 first quarter. In the 1993 first quarter, Salomon Inc recorded a net loss of $102 million, which included a $37 million aftertax charge to reflect the cumulative impact of a change in accounting for postretirement health and life insurance benefits.

Earnings volatility is inherent in the Company's businesses. Salomon Brothers' Proprietary Trading Businesses are generally the largest source of this volatility. Because strategies are frequently designed with time horizons of one year or more but are marked to market continually, profits or losses reported in interim periods are extremely sensitive to changes in market prices and can, and do, vary considerably from period to period. When measured over more meaningful time periods such as four quarters, Proprietary Trading results are less volatile and have been consistently profitable. Revenues from Client-Driven Businesses are also volatile, although generally to a lesser degree than Proprietary Trading Businesses. As discussed in Salomon Brothers Results of Operations, 1994 first quarter revenues for Client-Driven Businesses were negatively affected by adverse market conditions.

Corporate and Other includes certain Salomon Inc corporate-level expenses that cannot be attributed to any of the Company's operating segments, as well as the results of PEPI, whose primary asset is its

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investment in the White Nights Russian-American oil production joint venture. The 1994 first quarter results of Corporate and Other also include the results of TMC. In the 1993 first quarter, TMC was included in Salomon Brothers' results.

PEPI's investment in White Nights had a carrying value of $64 million at March 31, 1994, unchanged since year-end. The future of White Nights continues to be subject to great uncertainty, mainly as a result of current Russian tax policies, and in particular, when and to what extent these policies will be changed. The 1993 first quarter results of Corporate and Other included an $8 million addition to the Company's reserve for environmental matters.

SALOMON BROTHERS

<TABLE>

Results of Operations

<CAPTION>

Dollars in millions

Three months ended March 31,	1994	1993	Percent Change
<S>	<C>	<C>	<C>
Revenues:			
Client-Driven businesses:			
Global investment banking	$ 170	$ 149	14 %
U.S. secondary markets	250	271	(8)
International secondary markets	(68)	195	N/A
Foreign exchange	(111)	27	N/A
Private Investment Department and asset management	14	17	(18)
Total revenues from Client-Driven Businesses	255	659	(61)
Proprietary Trading Businesses	341	(254)	N/A
Total revenues, net of interest expense	$ 596	$ 405	47%
Income (loss) before taxes and cumulative effect of change in accounting principles:			
Client-Driven Businesses	$ (173)	$ 230	N/A%
Proprietary Trading Businesses	212	(319)	N/A
Total income (loss) before taxes and cumulative effect of change in accounting principles	$ 39	$ (89)	N/A%

</TABLE>

Salomon Brothers, the Company's global investment banking and securities business, recorded pretax earnings of $39 million in the 1994 first quarter as pretax losses of $173 million in Client-Driven Businesses were offset by pretax earnings of $212 million for Proprietary Trading Businesses. In the first quarter of 1993, Salomon Brothers recorded a pretax loss of $89 million as pretax earnings of $230 million in Client-Driven Businesses were exceeded by pretax losses of $319 million in Proprietary Trading Businesses.

The 1994 first quarter losses incurred by Salomon Brothers' Client-Driven Businesses were primarily attributable to losses in foreign exchange and international secondary markets, as well as a decline in U.S. secondary market revenues. The Company's foreign exchange and secondary markets businesses combine both client-related market making activities and position taking activities in which views are expressed about short-term changes in price and volatility. Revenues were adversely affected by declines in the value of positions in these businesses as well as an overall decline in customer trading volume in the latter part of the quarter.

XXX BEGIN PAGE 12 XXX

Proprietary Trading results for the 1994 quarter were strong, but are better evaluated over longer term periods of at least one year. For the four quarters ended March 31, 1994, Proprietary Trading Businesses' pretax profits were $947 million.

<TABLE>

Noninterest Expenses

<CAPTION>

Dollars in millions

Three months ended March 31,	1994	1993	Percent Change
<S>	<C>	<C>	<C>
Compensation and employee-related expenses	$ 388	$ 320	21%
Compensation ratio*	91%	139%	
Non-compensation expenses:			
Technology	$ 57	$ 60	(5)
Occupancy	39	46	(15)
Professional services and business development	28	22	27
Other	45	46	(2)
Total non-compensation expense	$ 169	$ 174	(3)%
Non-compensation expense ratio**	28%	43%	

<FN>
*Compensation as a percentage of earnings before taxes and compensation.
<fn2>**Non-compensation expenses as a percentage of revenues, net of interest.
</TABLE>

Compensation and employee-related expenses is the largest component of noninterest expense. Salomon Brothers' compensation for its business units is formula-driven, with aggregate compensation for each business unit based upon the results for that unit. Under this approach, Salomon Brothers' total compensation expense is affected not only by the level of earnings, but by the mix of earnings among the business units. Although the absolute level of compensation expense can be expected to increase in periods when Salomon Brothers generates strong broad-based earnings, the compensation ratio will generally decline. Conversely, compensation expense will decrease when results are weak across a number of businesses although the compensation ratio will increase. Salomon Brothers' compensation ratios for the first quarters of both 1994 and 1993 were unusually high compared with the ratio of 53% for each of the full years 1993 and 1992.

Occupancy expense decreased 15% from $46 million in the 1993 first quarter to $39 million in the 1994 first quarter. The decrease is primarily due to prior cost savings initiatives including the reduction of leased office space in New York and Tokyo. The increase in professional services and business development expenses was attributable in part to a higher level of legal expenses. The high non-compensation expense ratios in each quarter reflect the relatively low levels of revenues.

PHIBRO DIVISION
<TABLE>
Condensed Statement of Income
<CAPTION>
Dollars in millions

Three months ended March 31,	1994	1993	Percent Change
<S>	<C>	<C>	<C>
Revenues, net of interest	$ 73	$ 20	265 %
Overhead (including minimum compensation)	13	14	(7)
Variable compensation	10	-	N/A
Total noninterest expenses	23	14	64
Income before taxes and cumulative effect of change in accounting principles	$ 50	$ 6	733 %

</TABLE>
The Phibro Division recorded pretax earnings of $50 million in the first quarter of 1994. In the comparable 1993 quarter, the Phibro Division had pretax earnings of $6 million. Revenues from oil trading activities were $68 million in the first quarter of 1994, up $51 million from the 1993 quarter, as the Division was able to take advantage of trading opportunities in oil markets as prices rose and volatility increased. Revenues in 1994 from other trading activities, which include non-oil commodities, natural gas, and metals, increased modestly over last year. The increase

in variable compensation in the 1994 first quarter reflects bonus accruals based on the increased profitability of the Division.

PHIBRO USA
<TABLE>
Condensed Statement of Income
<CAPTION>
Dollars in millions

Three months ended March 31,	1994	1993	Percent Change
<S>	<C>	<C>	<C>
Sales	$1,611	$2,161	(25)%
Cost of sales	1,564	2,158	(28)
Operating profit	47	3	N/A
Net interest and other	(5)	(6)	(17)
Operating profit (loss), net of interest and other	42	(3)	N/A
Compensation and employee-related expenses	10	6	67
Other expenses	5	4	25
Total noninterest expenses	15	10	50
Income (loss) before taxes and cumulative effect of change in accounting principles	$ 27	$ (13)	N/A%

</TABLE>
Phibro USA had pretax earnings of $27 million in the 1994 first quarter, compared with a $13 million pretax loss in last year's first quarter. Much of the improvement in earnings was due to increased refining margins resulting primarily from weather-related demand in the Northeast for refined products. Phibro USA's recent expansion of storage and terminal capacity in the Northeast enabled it to capitalize on these market opportunities. During the first quarter of 1994, Phibro USA sold its St. Rose refinery, located in Louisiana; the sale resulted in a modest gain. In addition, Phibro USA had improved results in its petrochemicals, crude oil gathering and marine fuels businesses.

SALOMON INC
CAPITAL and LIQUIDITY MANAGEMENT
<TABLE>
<CAPTION>
Dollars in millions

Quarter ended	March 31, 1994	December 31, 1993	September 30, 1993	June 30, 1993	March 31, 1993
<S>	<C>	<C>	<C>	<C>	<C>
Long-term capital at period-end:					
Common equity capital*	$ 4,794	$ 5,019	$ 4,504	$ 4,564	$ 4,107
Perpetual preferred stock	312	312	312	312	312
Term debt and other	12,680	11,588	9,258	8,661	8,533
Total long-term capital	$ 17,786	$ 16,919	$ 14,074	$ 13,537	$ 12,952
AVERAGE WEEKLY BALANCE SHEET INFORMATION:					
U.S. government securities	$ 39,779	$ 45,227	$ 44,753	$ 40,486	$ 39,875
Non-U.S. government securities	35,627	36,293	37,475	33,124	31,704
Financial options and contractual commitments	7,904	8,857	8,167	8,155	7,944
Other financial instruments owned	29,337	23,908	21,242	18,499	16,375
Collateralized short-term financing agreements	53,876	51,396	57,912	58,690	60,685
Other assets	17,588	15,004	12,984	14,122	13,868
Average total assets	$ 184,111	$ 180,685	$ 182,533	$ 173,076	$ 170,451
Period-end total assets	$ 173,316	$ 184,835	$ 172,863	$ 169,265	$ 176,617
Period-end working capital usage	$ 15,700	$ 12,900	$ 12,900	$ 13,500	$ 12,400
Ratios at period end:					
Working capital coverage	113%	132%	109%	100%	104%
Working capital uses to equity	3.07	2.41	2.68	2.77	2.81
Average assets to ending equity	36.1	33.9	37.9	35.5	38.6
Total capital basis double leverage	0.94	0.95	1.13	1.10	1.09
Equity capital basis double leverage	1.33	1.42	1.58	1.54	1.60
Common shares outstanding (in millions)	105.9	110.6	110.8	110.4	110.3

<FN>

<fn1>*Including convertible preferred stock.
</TABLE>

The Company's long-term capital, which includes common equity, convertible preferred stock, perpetual preferred stock, unsecured obligations maturing beyond one year, portions of unsecured obligations maturing within one year (weighted by maturity) and long-term deferred taxes, increased by $867 million since December 31, 1993.

Presented in the accompanying table is average weekly balance sheet information. Average assets for the 1994 first quarter were $184 billion, up from $170 billion in last year's first quarter. Much of the year-to-year increase was attributable to higher inventories of corporate fixed income and equity securities.

Salomon Brothers' trading portfolio of high-yield securities, carried at market value, totaled $2.6 billion at March 31, 1994, unchanged from December 31, 1993. High-yield securities include corporate debt, convertible debt, preferred and convertible preferred equity securities rated lower than "triple B-" by internationally recognized rating agencies as well as sovereign debt issued by less developed countries in currencies other than their local currencies and which are not collateralized by U.S. government securities. Unrated securities with market yields comparable to entities rated below "triple B-" are also included in high-yield securities. The largest single high-yield exposure was $93 million at March 31, 1994.

During the first quarter of 1994, the Company repurchased 4.9 million of its common shares for treasury at an aggregate cost of $237 million, or $48.55 per share. Book value per share declined modestly from $38.57 at the end of 1993 to $38.23 at March 31, 1994, partly because common share repurchases were at an average price above book value. Over the last year, book value per share has increased by 24% from $30.88 at March 31, 1993.

In May 1994, the Company's Board of Directors authorized the repurchase of up to 10 million shares of its common stock, including 4.6 million shares remaining under a previous authorization. In addition, the Board of Directors waived a previous contractual restriction pursuant to which neither Berkshire Hathaway nor its affiliates were permitted to acquire more than 20% of the Company's outstanding voting securities prior to October 1, 1994 without prior consent of the Company.

<TABLE>
SUMMARY OF SELECTED QUARTERLY FINANCIAL INFORMATION (unaudited)
<CAPTION>

	Three Months Ended				
Dollars in millions, except per share amounts	March 31, 1994	December 31, 1993	September 30, 1993	June 30, 1993	March 31, 1993
<S>	<C>	<C>	<C>	<C>	<C>
For the quarter:					
Revenues:					
Principal transactions, including net interest and dividends	$ 441	$1,344	$298	$1,261	$ 202
Investment banking	170	250	214	178	149
Commissions and other	100	90	75	66	72
Revenues, net of interest expense	711	1,684	587	1,505	423
Noninterest expenses:					
Compensation and employee-related	417	655	383	524	338
Other noninterest expenses	182	222	186	228	198
Total noninterest expenses	599	877	569	752	536

Income (loss) before taxes and cumulative effect of change in accounting principles	112	807	18	753	(113)
Income taxes	46	331	(2)	320	(48)
Income (loss) before cumulative effect of change in accounting principles	66	476	20	433	(65)
Cumulative effect of change in accounting principles, net of tax benefit	-	-	-	-	(37)
Net income (loss)	$ 66	$ 476	$ 20	$ 433	$ (102)
Annualized return on average common stockholders' equity before cumulative effect of change in accounting principles:					
Primary	4.9%	47.2%	0.1%	46.1%	(9.7)%
Fully diluted**	4.9%	39.5%	0.1%	40.0%	(9.7)%
Income (loss) before taxes and cumulative effect of change in accounting principles by segment:					
Salomon Brothers	$ 39	$ 862	$ 19	$ 783	$ (89)
Phibro Division	50	(21)	(3)	3	6
Phibro USA	27	(31)	0	(2)	(13)
Corporate and Other	(4)	(3)	2	(31)	(17)
Total income (loss) before taxes and cumulative effect of change in accounting principles	$ 112	$ 807	$ 18	$ 753	$ (113)
Per common share:					
Primary earnings (loss)	$0.48	$4.33	$ 0.01	$3.75	$(1.10)*
Fully diluted earnings (loss)**	0.48	3.64	0.01	3.32	(1.10)*
Cash dividends	0.16	0.16	0.16	0.16	0.16
High market price	52 3/4	50 1/2	51 7/8	39 3/8	41 7/8
Low market price	44 3/4	41 1/2	37 5/8	34 3/8	35 3/4
Ending market price	48 1/2	47 5/8	47 3/4	38 1/4	38 3/4
Book value at period-end	38.23	38.57	34.33	35.00	30.88

<FN>
<fn1>*Includes a reduction of $.34 related to a cumulative change in accounting principles for postretirement benefits.
<fn2>**Assumes conversion of convertible notes and redeemable preferred stock, unless such assumptions result in higher returns or earnings per share than determined under the primary method.
</TABLE>

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Environmental Proceedings:
In April 1994, the Company, the City of Bartlesville, Oklahoma and one other potentially responsible party (collectively the "Respondents") entered into a Consent Agreement and Final Order ("CAFO") with the Oklahoma State Department of Environmental Quality whereunder the Respondents agreed to perform a remedial investigation feasibility study and remedial design for the National Zinc site in Bartlesville. The Company estimates that its cost to perform the work required by the CAFO will be approximately $1.5 million. The Company also currently estimates it will spend an additional $6.0 million to perform certain other known and required removal and related activities at the site. Any additional costs of remediation at the site cannot be determined at this time because of the preliminary nature of the investigation of site conditions.

Other Legal Proceedings:
On April 18, 1994, the United States Supreme Court denied certiorari in Salomon Forex Inc. v. Tauber, discussed in Item 3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993. The Supreme Court's denial, which finalizes the action, lets stand a decision of the United States Court of Appeals for the Fourth Circuit in favor of Salomon Forex Inc., an indirect wholly-owned subsidiary of the Company.

During 1994, certain customers of Salomon Brothers Inc's ("SBI") Private Investment Department indicated that they will assert claims against SBI with respect to transactions involving collateralized mortgage obligations. SBI has been advised that arbitrations have been filed on behalf of certain of these customers with the National Association of

Securities Dealers with respect to such claims.

Other legal proceedings, including a discussion of the U.S. Treasury auction and related matters, are discussed in Item 3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993.

Item 4. Submission of Matters to a Vote of Security Holders
The 1994 Annual meeting of shareholders was held on May 4, 1994. In addition to electing directors and ratifying the appointment of Arthur Andersen & Co. as independent public accountants, the results of shareholder voting were as follows:

* The shareholders approved by a vote of 79,654,476 shares for and 13,286,319 shares against, the adoption of the amended Equity Partnership Plans. Pursuant to the Plans, as amended, up to 40,000,000 shares of the Company's common stock, including the 30,000,000 shares already authorized, may be purchased and allocated to employees of the Company who are participants in the Plans and the Board of Directors has appointed the Compensation and Employee Benefits Committee of the Board of Directors to administer the Plans. Certain other elements of the Plans have been modified to better fulfill their purposes.

* The shareholders approved by a vote of 75,798,099 shares for and 16,847,573 shares against, the adoption of the Salomon Inc Stock Incentive Plan ("SIP"). The SIP provides for an aggregate grant of up to five million shares in the form of (i) non-qualified stock options, (ii) incentive stock options, (iii) limited stock appreciation rights, (iv) tandem stock appreciation rights, (v) stand-alone stock appreciation rights, (vi) shares of restricted stock, (vii) shares of phantom stock, (viii) stock bonuses and (ix) cash bonuses to key employees, including officers, whether or not they are directors, of the Company and its affiliates.

* The shareholders approved by a vote of 103,639,584 shares for and 4,478,613 shares against, the Salomon Inc Executive Officer Performance Bonus Plan. This plan links the compensation of the Chief Executive Officer of SBI to the performance of the Salomon Brothers' Securities Segment.

* The shareholders rejected by a vote of 84,135,774 shares against and 7,321,608 shares for, a stockholder's proposal recommending that the Company disclose in all future proxy statements the name, corporate title and cash compensation of executive officers who are contractually entitled to receive in excess of $100,000 annually as base salary.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

12(a) Calculation of ratio of earnings to fixed charges*

12(b) Calculation of ratio of earnings to combined fixed charges and preferred dividends*

*filed herewith

(b) Reports on Form 8-K:

The Company filed a Current Report on Form 8-K dated January 12, 1994, reporting under Item 7 ("Financial Statements, Pro Forma Financial Information and Exhibits") a Form T-1 Statement of Eligibility of the Bank of New York.

The Company filed a Current Report on Form 8-K dated January 18, 1994, reporting under Item 7 ("Financial Statements, Pro Forma Financial Information and Exhibits") an Indenture between Salomon Inc and Chemical Bank as Trustee; and a Form T-1 Statement of Eligibility of Chemical Bank.

The Company filed a Current Report on Form 8-K dated January 27, 1994 reporting under Item 5 ("Other Events") and Item 7 ("Financial Statements, Pro Forma Financial Information and Exhibits") the issuance of a press release.

The Company filed a Current Report on Form 8-K dated March 7, 1994, reporting under Item 7 ("Financial Statements, Pro Forma Financial Information and Exhibits") a Form T-1 Statement of Eligibility of the First National Bank of Chicago.

The Company filed a Current Report on Form 8-K dated April 25, 1994, reporting under Item 5 ("Other Events") and Item 7 ("Financial Statements, Pro Forma Financial Information and Exhibits") the issuance of a press release.

SIGNATURES

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

Salomon Inc
(Registrant)

Date May 13, 1994 /s/ David C. Fisher
Controller

Date May 13, 1994 /s/ Arnold S. Olshin
Secretary

Form 10-Q Exhibit Index

The following exhibits are filed herewith:

Exhibit Number	
12(a)	Calculation of ratio of earnings to fixed charges
12(b)	Calculation of ratio of earnings to combined fixed charges and preferred dividends

<TABLE>

EXHIBIT 12(a)

SALOMON INC AND SUBSIDIARIES
CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Unaudited)

<CAPTION>

Dollars in millions	Three Months Ended March 31, 1994	Years Ended December 31, 1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings:						
Income before taxes and cumulative effect of change in accounting principles	$ 112	$ 1,465	$ 1,056	$ 919	$ 506	$ 740
Add fixed charges (see below)	1,065	4,644	4,373	5,704	6,032	6,147
Other adjustments	0	22	20	(4)	(16)	(10)
Earnings as defined	$ 1,177	$ 6,131	$ 5,449	$ 6,619	$ 6,522	$ 6,877
Fixed Charges and Preferred Dividends:						
Interest expense	$ 1,058	$ 4,600	$ 4,324	$ 5,638	$ 5,959	$ 6,093
Other adjustments	7	44	49	66	73	54
Fixed charges as defined	1,065	4,644	4,373	5,704	6,032	6,147
Ratio of earnings to fixed charges	1.11	1.32	1.25	1.16	1.08	1.12

<FN>
<fn1>
NOTE:
The ratio of earnings to fixed charges is calculated by dividing fixed charges into the sum of income before taxes and fixed charges. Fixed charges consist of interest expense, including capitalized interest and a portion of rental expense representative of the interest factor.
</TABLE>

<TABLE>
EXHIBIT 12(b)
SALOMON INC AND SUBSIDIARIES
Calculation of Ratio of Earnings toCombined Fixed Charges
and Preferred Dividends
(Unaudited)
<CAPTION>

Dollars in millions	Three Months Ended March 31, 1994	Years Ended December 31, 1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings:						
Income before taxes and cumulative effect of change in accounting principles	$ 112	$ 1,465	$ 1,056	$ 919	$ 506	$ 740
Add fixed charges (see below)	1,065	4,644	4,373	5,704	6,032	6,147
Other adjustments	0	22	20	(4)	(16)	(10)
Earnings as defined	$ 1,177	$ 6,131	$ 5,449	$ 6,619	$ 6,522	$ 6,877
Fixed Charges and Preferred Dividends:						
Interest expense	$ 1,058	$ 4,600	$ 4,324	$ 5,638	$ 5,959	$ 6,093
Other adjustments	7	44	49	66	73	54
Fixed charges as defined	1,065	4,644	4,373	5,704	6,032	6,147
Preferred dividends (tax equivalent basis)	22	83	131	121	105	99
Combined fixed charges and preferred dividends	$ 1,087	$ 4,727	$ 4,504	$ 5,825	$ 6,137	$ 6,246
Ratio of earnings to combined fixed charges and preferred dividends	1.08	1.30	1.21	1.14	1.06	1.10

<FN>
<fn1>
NOTES:
The ratio of earnings to combined fixed charges and preferred dividends was calculated by dividing the sum of fixed charges and tax equivalent preferred dividends into the sum of earnings before taxes and fixed charges.

Fixed charges consist of interest expense, including capitalized interest and a portion of rental expense representative of the interest factor.

Tax equivalent preferred dividends represent the pretax earnings necessary to cover preferred stock dividend requirements, assuming such earnings are taxed at the Company's consolidated effective income tax rate.
</TABLE>