

TEMPLETON EMERGING MARKETS INCOME FUND  
Form N-Q  
July 28, 2006

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF  
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-07866  
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TEMPLETON EMERGING MARKETS INCOME FUND  
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(Exact name of registrant as specified in charter)

500 EAST BROWARD BLVD., SUITE 2100, FORT LAUDERDALE, FL 33394-3091  
-----

(Address of principal executive offices) (Zip code)

CRAIG S. TYLE, ONE FRANKLIN PARKWAY, SAN MATEO, CA 94403-1906  
-----

(Name and address of agent for service)

Registrant's telephone number, including area code: (954) 527-7500  
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Date of fiscal year end: 08/31  
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Date of reporting period: 5/31/06  
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ITEM 1. SCHEDULE OF INVESTMENTS.

Templeton Emerging Markets Income Fund

QUARTERLY STATEMENT OF INVESTMENTS  
MAY 31, 2006  
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[LOGO] (R)  
FRANKLIN TEMPLETON  
INVESTMENTS

Franklin o TEMPLETON o Mutual Series

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Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, MAY 31, 2006 (UNAUDITED)

	PRINCIPAL AMOUNT
BONDS 89.5%	
ARGENTINA 11.6%	
a,b Government of Argentina, FRN, 4.889%, 8/03/12 .....	96,145,
BOSNIA AND HERZEGOVINA 1.8%	
b Government of Bosnia & Herzegovina, FRN, 3.50%, 12/11/17 .....	11,135,
BRAZIL 11.2%	
Government of Brazil,	
7.875%, 3/07/15 .....	1,275,
12.50%, 1/05/16 .....	15,000,
8.00%, 1/15/18 .....	61,615,
b FRN, 10.71%, 6/29/09 .....	2,900,
COLOMBIA 3.4%	
Government of Colombia,	
10.50%, 7/09/10 .....	1,528,
10.75%, 1/15/13 .....	12,450,
11.75%, 2/25/20 .....	4,255,
INDONESIA 14.3%	
Government of Indonesia,	
10.00%, 7/15/07 .....	18,800,000,
10.00%, 10/15/11 .....	1,690,000,
11.00%, 12/15/12 .....	3,650,000,
11.00%, 10/15/14 .....	120,832,000,
9.50%, 6/15/15 .....	9,450,000,
10.75%, 5/15/16 .....	26,870,000,
11.50%, 9/15/19 .....	40,000,000,
11.00%, 11/15/20 .....	129,550,000,
c Reg S, 7.50%, 1/15/16 .....	3,300,
Indonesia Recapital Bonds,	
13.15%, 3/15/10 .....	11,830,000,
15.425%, 9/15/10 .....	2,800,000,
14.25%, 6/15/13 .....	234,282,000,
14.275%, 12/15/13 .....	166,215,000,
d,e,f PT Indah Kiat Finance Mauritius Ltd.,	
b FRN, 4.19%, 4/29/15 .....	3,155,
b FRN, 4.19%, 4/29/18 .....	8,284,
zero cpn., 4/29/25 .....	5,370,
d,e,f Tjiwi Kimia Finance Mauritius, secured note, 144A,	
b FRN, 4.19%, 4/29/15 .....	1,184,
b FRN, 4.19%, 4/29/18 .....	3,049,

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zero cpn., 4/29/25 .....	3,927,
IRAQ 4.3%	
g Government of Iraq, 144A, 5.80%, 1/15/28 .....	42,075,
MEXICO 0.2%	
c Government of Mexico, Reg S, 7.50%, 3/08/10 .....	1,110,

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Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, MAY 31, 2006 (UNAUDITED) (CONTINUED)

-----  
PRINCIPAL A  
-----

BONDS (CONTINUED)

PANAMA 0.9%

Government of Panama, 6.70%, 1/26/36 ..... 6,639,

PERU 7.7%

Government of Peru,

9.875%, 2/06/15 ..... 4,255,

9.91%, 5/05/15 ..... 51,975,

7.84%, 8/12/20 ..... 485,

7.35%, 7/21/25 ..... 10,520,

8.75%, 11/21/33 ..... 9,050,

Series 7, 8.60%, 8/12/17 ..... 24,910,

PHILIPPINES 4.6%

Government of the Philippines,

9.00%, 2/15/13 ..... 11,460,

8.875%, 3/17/15 ..... 2,100,

10.625%, 3/16/25 ..... 2,500,

9.50%, 2/02/30 ..... 5,400,

7.75%, 1/14/31 ..... 500,

c Reg S, 9.125%, 2/22/10 ..... 160,

c Reg S, 8.75%, 10/07/16 ..... 5,450,

POLAND 4.7%

Government of Poland,

8.50%, 11/12/06 ..... 20,000,

8.50%, 5/12/07 ..... 33,300,

6.00%, 5/24/09 ..... 23,000,

6.25%, 10/24/15 ..... 15,380,

5.75%, 9/23/22 ..... 2,000,

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RUSSIA 8.7%	
c Aries Vermogen, Reg S, 9.60%, 10/25/14 .....	24,000,
c Government of Russia, Reg S,	
11.00%, 7/24/18 .....	12,670,
12.75%, 6/24/28 .....	6,566,
SOUTH AFRICA 0.5%	
Government of South Africa, 5.25%, 5/16/13 .....	2,390,
SOUTH KOREA 4.8%	
Government of Korea,	
6.90%, 1/16/07 .....	10,000,000,
4.75%, 3/12/08 .....	20,465,000,

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Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, MAY 31, 2006 (UNAUDITED) (CONTINUED)

	PRINCIPAL A
-----	
BONDS (CONTINUED)	
THAILAND 2.3%	
Bank of Thailand Bond, 3.25%, 5/19/07 .....	17,165,
Government of Thailand,	
8.00%, 12/08/06 .....	244,500,
4.125%, 2/12/08 .....	98,000,
8.50%, 12/08/08 .....	11,000,
4.80%, 4/09/10 .....	212,000,
UKRAINE 3.6%	
g Government of the Ukraine, 144A,	
7.65%, 6/11/13 .....	11,948,
b FRN, 8.235%, 8/05/09 .....	11,660,
VENEZUELA 4.8%	
Government of Venezuela, 9.25%, 9/15/27 .....	26,984,
VIETNAM 0.1%	
b Government of Vietnam, FRN, 5.875%, 3/12/16 .....	949,
TOTAL BONDS (COST \$559,474,924) .....	

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	----- SHARES/PRI AMOUNT -----
SHORT TERM INVESTMENTS 6.7%	
FOREIGN GOVERNMENT SECURITIES 3.8%	
EGYPT 1.1%	
i Egypt Treasury Bills, 6/20/06 - 11/21/06 .....	44,200,
THAILAND 2.7%	
i Thailand Treasury Bills, 7/27/06 - 10/12/06 .....	705,500,
TOTAL FOREIGN GOVERNMENT SECURITIES (COST \$24,615,043) .....	
MONEY MARKET FUND (COST \$19,710,099) 2.9%	
UNITED STATES 2.9%	
j Franklin Institutional Fiduciary Trust Money Market Portfolio, 4.71% .....	19,710,
TOTAL SHORT TERM INVESTMENTS (COST \$44,325,142) .....	
TOTAL INVESTMENTS (COST \$603,800,066) 96.2% .....	
OTHER ASSETS, LESS LIABILITIES 3.8% .....	
NET ASSETS 100.0% .....	

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Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, MAY 31, 2006 (UNAUDITED) (CONTINUED)

CURRENCY ABBREVIATIONS

BRL - Brazilian Real  
 EGP - Egyptian Pound  
 EUR - Euro  
 IDR - Indonesian Rupiah  
 KRW - Korean Won  
 PEN - Peru Nuevo Sol  
 PLN - Polish Zloty  
 THB - Thailand Baht

SELECTED PORTFOLIO ABBREVIATION

FRN - Floating Rate Note

- a The principal amount is stated in original face, and scheduled paydowns are reflected in the market price on ex-date.
- b The coupon rate shown represents the rate at period end.
- c Security was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from

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registration. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At May 31, 2006, the aggregate value of these securities was \$69,641,311, representing 10.36% of net assets.

- d Non-income producing.
- e See Note 2 regarding restricted securities.
- f See Note 3 regarding other considerations.
- g Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At May 31, 2006, the aggregate value of these securities was \$53,242,466, representing 7.92% of net assets.
- h The principal amount is stated in U.S. dollars unless otherwise indicated.
- i The security is traded on a discount basis with no stated coupon rate.
- j The Franklin Institutional Trust Money Market Portfolio is managed by the Fund's investment manager. The rate shown is the annualized seven-day yield at period end.

6 | See Notes to Statement of Investments. | Quarterly Statement of Investments

### Templeton Emerging Markets Income Fund

#### NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

Templeton Emerging Markets Income Fund (the Fund) is registered under the Investment Company Act of 1940 as a non-diversified, closed-end investment company.

#### 1. INCOME TAXES

At May 31, 2006, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments .....	\$ 606,511,365
	=====
Unrealized appreciation .....	\$ 46,399,743
Unrealized depreciation .....	(5,809,904)
	-----
Net unrealized appreciation (depreciation) .....	\$ 40,589,839
	=====

#### 2. RESTRICTED SECURITIES

At May 31, 2006, the Fund held investments in restricted securities, valued in accordance with procedures approved by the Fund's Board of Trustees as reflecting fair value, as follows:

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PRINCIPAL AMOUNT	ISSUER	ACQUISITION DATE	
\$ 3,155,909	PT Indah Kiat Finance Mauritius Ltd., FRN, 4.19%, 4/29/15 .....	4/29/05	\$ 1
8,284,051	PT Indah Kiat Finance Mauritius Ltd., FRN, 4.19%, 4/29/18 .....	4/29/05	3
5,370,423	PT Indah Kiat Finance Mauritius Ltd., zero cpn., 4/29/25 .....	4/29/05	2
1,184,694	Tjiwi Kimia Finance Mauritius, secured note, 144A, FRN, 4.19%, 4/29/15 .....	4/29/05	
3,049,247	Tjiwi Kimia Finance Mauritius, secured note, 144A, FRN, 4.19%, 4/29/18 .....	4/29/05	
3,927,195	Tjiwi Kimia Finance Mauritius, secured note, zero cpn., 4/29/25 .....	4/29/05	1
TOTAL RESTRICTED SECURITIES (1.29% of Net Assets)			

3. OTHER CONSIDERATIONS

Subject to certain terms and conditions, the Fund has agreed to sell its holdings in PT Indah Kiat Finance Mauritius Ltd. and Tjiwi Kimia International Finance in November 2006. Until the completion of the sale, the transaction is being accounted for as a secured borrowing with a pledge of collateral and any preliminary sales proceeds or other interest and cash distributions received are deferred until the completion of the transaction and are recorded as part of the net sales proceeds.

For information on the Fund's policy regarding valuation of investments and other significant accounting policies, please refer to the Fund's most recent semiannual or annual shareholder report.

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ITEM 2. CONTROLS AND PROCEDURES.

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant's management, including the principal executive officer and the principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Within 90 days prior to the filing date of this Quarterly Schedule of Portfolio Holdings on Form N-Q, the Registrant had carried out an evaluation, under the supervision and with the participation of the Registrant's management, including

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the Registrant's principal executive officer and the Registrant's principal financial officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures. Based on such evaluation, the Registrant's principal executive officer and principal financial officer concluded that the Registrant's disclosure controls and procedures are effective.

(b) CHANGES IN INTERNAL CONTROLS. There have been no significant changes in the Registrant's internal controls or in other factors that could significantly affect the internal controls subsequent to the date of their evaluation in connection with the preparation of this Quarterly Schedule of Portfolio Holdings on Form N-Q.

ITEM 3. EXHIBITS.

(a) Certifications pursuant to Section 30a-2 of the Investment Company Act of 1940 of Jimmy D. Gambill, Chief Executive Officer - Finance and Administration, and Galen G. Vetter, Chief Financial Officer.

SIGNATURES

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

TEMPLETON EMERGING MARKETS INCOME FUND

By /s/JIMMY D. GAMBILL

-----  
Jimmy D. Gambill  
Chief Executive Officer -  
Finance and Administration  
Date July 27, 2006

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/JIMMY D. GAMBILL

-----  
Jimmy D. Gambill  
Chief Executive Officer -  
Finance and Administration  
Date July 27, 2006

By /s/GALEN G. VETTER

-----  
Galen G. Vetter  
Chief Financial Officer  
Date July 27, 2006