

TEMPLETON EMERGING MARKETS INCOME FUND
Form N-Q
January 26, 2007

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-07866

TEMPLETON EMERGING MARKETS INCOME FUND

(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

Date of fiscal year end: 08/31

Date of reporting period: 11/30/06

ITEM 1. SCHEDULE OF INVESTMENTS.

Templeton Emerging Markets Income Fund

QUARTERLY STATEMENT OF INVESTMENTS
NOVEMBER 30, 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, NOVEMBER 30, 2006 (UNAUDITED)

| | PRINCIPAL AMOUNT |
|--|------------------|
| ----- | |
| LONG TERM INVESTMENTS 91.5% | |
| BONDS 90.2% | |
| ARGENTINA 10.0% | |
| a,b Government of Argentina, FRN, 5.59%, 8/03/12 | 100,985,000 |
| | |
| BOSNIA AND HERZEGOVINA 1.8% | |
| b Government of Bosnia & Herzegovina, FRN, 3.00%, 12/11/17 | 11,020,830 |
| | |
| BRAZIL 16.5% | |
| Government of Brazil, | |
| 7.875%, 3/07/15 | 1,275,000 |
| 8.00%, 1/15/18 | 61,615,000 |
| b FRN, 11.117%, 6/29/09 | 2,900,000 |
| Nota Do Tesouro Nacional, | |
| 9.762%, 1/01/12 | 67,500 |
| 9.762%, 1/01/14 | 20,000 |
| Index Linked, 6.00%, 11/15/09 | 5,100 |
| Index Linked, 6.00%, 5/15/15 | 5,600 |
| Vale Overseas Ltd., 6.25%, 1/23/17 | 1,900,000 |
| | |
| COLOMBIA 2.6% | |
| Government of Colombia, | |
| 12.00%, 10/22/15 | 23,931,000,000 |
| 11.75%, 2/25/20 | 4,255,000 |
| | |
| EL SALVADOR 0.4% | |
| c Government of El Salvador, 144A, 7.65%, 6/15/35 | 2,650,000 |
| | |
| INDONESIA 13.5% | |
| Government of Indonesia, | |
| 10.00%, 10/15/11 | 1,690,000,000 |
| 11.00%, 12/15/12 | 3,650,000,000 |
| 11.00%, 10/15/14 | 120,832,000,000 |
| 9.50%, 6/15/15 | 9,450,000,000 |
| 10.75%, 5/15/16 | 26,870,000,000 |
| 10.00%, 7/15/17 | 18,800,000,000 |
| 11.50%, 9/15/19 | 40,000,000,000 |
| 11.00%, 11/15/20 | 132,050,000,000 |
| 12.90%, 6/15/22 | 2,000,000,000 |

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| | |
|--|----------------|
| 12.00%, 9/15/26 | 7,850,000,00 |
| d Reg S, 7.50%, 1/15/16 | 3,300,00 |
| Indonesia Recapital Bonds, | |
| 15.425%, 9/15/10 | 2,800,000,00 |
| 14.25%, 6/15/13 | 234,282,000,00 |
| 14.275%, 12/15/13 | 166,215,000,00 |
| | |
| IRAQ 4.6% | |
| c Government of Iraq, 144A, 5.80%, 1/15/28 | 50,575,00 |

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Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, NOVEMBER 30, 2006 (UNAUDITED) (CONTINUED)

PRINCIPAL AMOUNT

| | |
|--|-----------|
| LONG TERM INVESTMENTS (CONTINUED) | |
| BONDS (CONTINUED) | |
| MEXICO 3.8% | |
| Government of Mexico, | |
| 8.00%, 12/17/15 | 1,375,00 |
| 10.00%, 12/05/24 | 1,315,00 |
| | |
| PANAMA 1.0% | |
| Government of Panama, 6.70%, 1/26/36 | 6,639,00 |
| | |
| PERU 8.7% | |
| Government of Peru, | |
| 9.875%, 2/06/15 | 4,255,00 |
| 9.91%, 5/05/15 | 51,975,00 |
| 7.84%, 8/12/20 | 485,00 |
| 7.35%, 7/21/25 | 10,520,00 |
| 8.75%, 11/21/33 | 12,550,00 |
| Series 7, 8.60%, 8/12/17 | 24,910,00 |
| | |
| PHILIPPINES 4.7% | |
| Government of the Philippines, | |
| 9.00%, 2/15/13 | 21,460,00 |
| 8.875%, 3/17/15 | 2,100,00 |
| d Reg S, 9.125%, 2/22/10 | 160,00 |
| d Reg S, 8.75%, 10/07/16 | 5,450,00 |

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POLAND 2.6%

Government of Poland,

| | |
|-----------------------|------------|
| 8.50%, 5/12/07 | 33,300,000 |
| 6.25%, 10/24/15 | 15,380,000 |
| 5.75%, 9/23/22 | 2,000,000 |

RUSSIA 8.7%

| | |
|--|------------|
| d Aries Vermogen, Reg S, 9.60%, 10/25/14 | 24,000,000 |
| d Government of Russia, | |
| Reg S, 11.00%, 7/24/18 | 12,670,000 |
| Reg S, 12.75%, 6/24/28 | 6,566,000 |

SOUTH KOREA 1.6%

Government of Korea,

| | |
|----------------------|---------------|
| 6.90%, 1/16/07 | 6,500,000,000 |
| 4.75%, 3/12/08 | 3,965,000,000 |

THAILAND 2.3%

| | |
|---|-------------|
| Bank of Thailand Bond, 3.25%, 5/19/07 | 17,165,000 |
| Government of Thailand, | |
| 8.00%, 12/08/06 | 244,500,000 |
| 4.125%, 2/12/08 | 98,000,000 |

4 | Quarterly Statement of Investments

Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, NOVEMBER 30, 2006 (UNAUDITED) (CONTINUED)

 PRINCIPAL AMOUNT

LONG TERM INVESTMENTS (CONTINUED)

BONDS (CONTINUED)

THAILAND (CONTINUED)

Government of Thailand, (continued)

| | |
|-----------------------|-------------|
| 8.50%, 12/08/08 | 11,000,000 |
| 4.80%, 4/09/10 | 212,000,000 |

UKRAINE 3.5%

c Government of Ukraine, 144A,

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| | |
|--|------------|
| 7.65%, 6/11/13 | 11,948,00 |
| b FRN, 8.903%, 8/05/09 | 11,660,00 |
| | |
| VENEZUELA 3.8% | |
| Government of Venezuela, 9.25%, 9/15/27 | 21,684,00 |
| | |
| VIETNAM 0.1% | |
| b Government of Vietnam, FRN, 4.063%, 3/12/16 | 902,08 |
| | |
| TOTAL BONDS (COST \$579,730,065) | |
| | |
| WARRANTS (COST \$7,140,043) 1.3% | |
| ARGENTINA 1.3% | |
| f Government of Argentina, wts., 12/15/35 | 75,000,00 |
| | |
| TOTAL LONG TERM INVESTMENTS (COST \$586,870,108) | |
| | |
| SHORT TERM INVESTMENTS 5.7% | |
| GOVERNMENT AND AGENCY SECURITIES 2.4% | |
| EGYPT 1.2% | |
| g Egypt Treasury Bills, 6/19/07-11/20/07 | 51,750,00 |
| THAILAND 1.2% | |
| g Thailand Treasury Bill, 10/04/07 | 323,015,00 |
| | |
| TOTAL GOVERNMENT AND AGENCY SECURITIES (COST \$16,771,548) | |
| | |
| | SHARES |
| | ----- |
| MONEY MARKET FUND (COST \$23,774,118) 3.3% | |
| UNITED STATES 3.3% | |
| h Franklin Institutional Fiduciary Trust Money Market Portfolio, 4.97% ... | 23,774,11 |
| | |
| TOTAL SHORT TERM INVESTMENTS (COST \$40,545,666) | |
| | |
| TOTAL INVESTMENTS (COST \$627,415,774) 97.2% | |
| NET UNREALIZED GAIN ON FORWARD EXCHANGE CONTRACTS 0% i | |
| OTHER ASSETS, LESS LIABILITIES 2.8% | |
| | |
| NET ASSETS 100.0% | |

Quarterly Statement of Investments | 5

Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, NOVEMBER 30, 2006 (UNAUDITED) (CONTINUED)

CURRENCY ABBREVIATIONS

BRL - Brazil Real
 COP - Colombian Peso
 EGP - Egyptian Pound
 EUR - Euro

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IDR - Indonesian Rupiah
KRW - South Korean Won
MXN - Mexican Peso
PEN - Peruvian 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 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 November 30, 2006, the aggregate value of these securities was \$61,385,890, representing 8.61% of net assets.
- d 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 registration. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At November 30, 2006, the aggregate value of these securities was \$71,897,952, representing 10.09% of net assets.
- e The principal amount is stated in U.S. dollars unless otherwise indicated.
- f Warrants are linked to the Argentine Republic Gross Domestic Product (GDP) and do not pay principal over life of security or at expiration. Warrants entitle the holder to receive only variable income payments, subject to certain conditions, which are based on growth of the Argentine GDP and the principal or "notional" value of these GDP linked warrants.
- g The security is traded on a discount basis with no stated coupon rate.
- h The Franklin Institutional Fiduciary Trust Money Market Portfolio is managed by the Fund's investment manager. The rate shown is the annualized seven-day yield at period end.
- i Rounds to less than 0.1% of net assets.
- j Principal is stated in 100 Real units.
- k Principal is stated in 100 Peso units.

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

Templeton Emerging Markets Income Fund

NOTES TO STATEMENT OF INVESTMENTS (UNAUDITED)

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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 November 30, 2006, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

| | | | |
|--|----|-------------|-------|
| Cost of investments | \$ | 633,244,340 | ===== |
| Unrealized appreciation | \$ | 61,692,972 | |
| Unrealized depreciation | | (2,338,412) | ----- |
| Net unrealized appreciation (depreciation) | \$ | 59,354,560 | ===== |

2. FORWARD EXCHANGE CONTRACTS

At November 30, 2006, the Fund had the following forward exchange contracts outstanding:

| CONTRACTS TO SELL | CONTRACT AMOUNT | SETTLEMENT DATE | UN GA |
|---|--------------------|--------------------|----------|
| 61,513,239 Mexican Peso | \$ 5,568,321 | 8/16/07 | \$ |
| 42,706,994 Mexican Peso | 3,882,807 | 8/20/07 | |
| 69,355,929 Mexican Peso | 6,287,081 | 8/21/07 | |
| 74,700,583 Mexican Peso | 6,663,151 | 11/26/07 | -- |
| UNREALIZED GAIN ON FORWARD EXCHANGE CONTRACTS | | | \$ |
| | | | == |

| CONTRACTS TO SELL | CONTRACT AMOUNT | SETTLEMENT DATE | UN GA |
|--|--------------------|--------------------|----------|
| 34,649,958 Mexican Peso | \$ 3,081,914 | 9/12/07 | \$ |
| 13,012,157 Mexican Peso | 1,153,918 | 9/14/07 | -- |
| UNREALIZED LOSS ON FORWARD EXCHANGE CONTRACTS | | | \$ |
| | | | == |
| NET UNREALIZED GAIN (LOSS) ON FORWARD EXCHANGE CONTRACTS | | | \$ |
| | | | == |

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 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 -

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Finance and Administration
Date January 25, 2007

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 January 25, 2007

By /s/GALEN G. VETTER

Galen G. Vetter
Chief Financial Officer
Date January 25, 2007