

TEMPLETON EMERGING MARKETS INCOME FUND  
Form N-CSR  
November 07, 2006

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 811-07866  
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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., 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: 8/31  
-----

Date of reporting period: 8/31/06  
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ITEM 1. REPORTS TO STOCKHOLDERS

[GRAPHIC OMITTED]

AUGUST 31, 2006

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ANNUAL REPORT

INCOME

[GRAPHIC OMITTED]

TEMPLETON EMERGING MARKETS  
INCOME FUND  
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[LOGO] (R)  
FRANKLIN TEMPLETON  
INVESTMENTS

Franklin o TEMPLETON o Mutual Series

Franklin Templeton Investments

GAIN FROM OUR PERSPECTIVE (R)

Franklin Templeton's distinct multi-manager structure combines the specialized expertise of three world-class investment management groups--Franklin, Templeton and Mutual Series.

SPECIALIZED EXPERTISE

Each of our portfolio management groups operates autonomously, relying on its own research and staying true to the unique investment disciplines that underlie its success.

FRANKLIN. Founded in 1947, Franklin is a recognized leader in fixed income investing and also brings expertise in growth- and value-style U.S. equity investing.

TEMPLETON. Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with offices in over 25 countries, Templeton offers investors a truly global perspective.

MUTUAL SERIES. Founded in 1949, Mutual Series is dedicated to a unique style of value investing, searching aggressively for opportunity among what it believes are undervalued stocks, as well as arbitrage situations and distressed securities.

TRUE DIVERSIFICATION

Because our management groups work independently and adhere to different investment approaches, Franklin, Templeton and Mutual Series funds typically have distinct portfolios. That's why our funds can be used to build truly diversified allocation plans covering every major asset class.

RELIABILITY YOU CAN TRUST

At Franklin Templeton Investments, we seek to consistently provide investors with exceptional risk-adjusted returns over the long term, as well as the reliable, accurate and personal service that has helped us become one of the most trusted names in financial services.

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MUTUAL FUNDS | RETIREMENT PLANS | 529 COLLEGE SAVINGS PLANS | SEPARATE ACCOUNTS

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[GRAPHIC OMITTED]

Not part of the annual report

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## Annual Report

### Templeton Emerging Markets Income Fund

YOUR FUND'S GOALS AND MAIN INVESTMENTS: Templeton Emerging Markets Income Fund seeks high, current income, with a secondary goal of capital appreciation, by investing, under normal market conditions, at least 80% of its total net assets in income-producing securities of sovereign or sovereign-related entities and private sector companies in emerging market countries.

#### GEOGRAPHIC BREAKDOWN\*

Based on Total Net Assets as of 8/31/06

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

Americas	47.1%
Asia	26.1%
Europe	18.7%
Middle East & Africa	5.8%
Other Assets, less Liabilities	2.3%

\* The Geographic Breakdown is a snapshot of the Fund on 8/31/06 and may not reflect ongoing repositioning or reinvestment of cash in the Fund.

Dear Shareholder:

We are pleased to bring you Templeton Emerging Markets Income Fund's annual report for the fiscal year ended August 31, 2006.

#### PERFORMANCE OVERVIEW

For the 12 months under review, Templeton Emerging Markets Income Fund posted cumulative total returns of +8.71% based on market price and +13.55% based on

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net asset value. The Fund performed comparably with the J.P. Morgan (JPM) Emerging Markets Bond Index Global (EMBIG), which posted a +9.02% cumulative total return in U.S. dollar terms for the same period. 1 You can find the Fund's long-term performance data in the Performance Summary on page 7.

1. Source: J.P. Morgan. The JPM EMBIG tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans and Eurobonds. Local and regional bond market returns are derived from country subindexes of the JPM EMBIG. The index is unmanaged and includes reinvested interest. One cannot invest directly in an index, nor is an index representative of the Fund's portfolio.

THE DOLLAR VALUE, NUMBER OF SHARES OR PRINCIPAL AMOUNT, AND NAMES OF ALL PORTFOLIO HOLDINGS ARE LISTED IN THE FUND'S STATEMENT OF INVESTMENTS (SOI). THE SOI BEGINS ON PAGE 10.

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### WHAT IS A CURRENT ACCOUNT?

A current account is that part of the balance of payments where all of one country's international transactions in goods and services are recorded.

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### WHAT IS BALANCE OF PAYMENTS?

Balance of payments is a record of all of a country's exports and imports of goods and services, borrowing and lending with the rest of the world during a particular time period. It helps a country evaluate its competitive strengths and weaknesses and forecast the strength of its currency.

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### ECONOMIC AND MARKET OVERVIEW

Global economic growth remained strong for the year under review and demonstrated resilience to higher commodity prices, including oil, and the normalization of global interest rates. Regionally, growth was generally robust in Asia, strengthening in Europe and moderating in the U.S.

The U.S. Federal Reserve Board (Fed) led the global interest rate tightening cycle with consecutive 25-basis-point increases starting mid-2004 (100 basis points equal one percentage point). As household consumption moderated and the housing market cooled amid inflation pressure stemming from labor costs and energy prices, the Fed paused with the federal funds target rate at 5.25% after raising short-term interest rates 175 basis points during the 12-month period. Inflation rose to its highest level since 2001, or 2.8%, in August as measured by the core Consumer Price Index (CPI). 2 Higher inflation and the Fed's tightening of short-term interest rates pressured U.S. bond yields higher in the past 12 months, leaving a relatively flat yield curve with the 10-year Treasury note yield at 4.74% on August 31, 2006, and the 30-year Treasury bond yield at 4.88%. Although the U.S. dollar weakened 3.02% versus its major trading partners and the difference in growth rates between the U.S. and its major trading partners narrowed during the period, the U.S. current account deficit remained large at 6.6% of gross domestic product (GDP) at the end of second quarter 2006. 3

Regionally, the Pacific Rim, which accounted for 48% of the U.S. trade deficit,

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continued to play a prominent role in terms of global imbalances, characterized by the large U.S. current account deficit. 4 The international reserve accumulation by major oil producers and export-intensive countries such as China remained significant during the reporting period. For example, by the end of June 2006, China's international reserves were US\$941 billion, increasing on average nearly US\$20 billion per month. 5 Growth in Asia was generally robust, accompanied by increasing domestic demand in some countries. Trade surpluses in Asia (outside of China) narrowed, as oil prices and stronger domestic demand contributed to rising imports. Relative to the 3.6% GDP growth in the U.S. in second quarter 2006 year-over-year, China's economy grew 11.3%, Singapore's 8.1% and South Korea's 5.3%. 6 Although Asia's interest rate policy tightened during the year, the most notable shift in monetary policy was in Japan. During the period, the country ended its policy of quantitative easing and a zero percent interest rate, adopted in 2001 to combat entrenched deflation

2. Source: Bureau of Labor Statistics. Core CPI excludes food and energy costs.
3. Sources: Federal Reserve; U.S. Bureau of Economic Analysis.
4. Source: U.S. Department of the Treasury.
5. Source: The People's Bank of China.
6. Sources: U.S. Bureau of Economic Analysis; National Bureau of Statistics, China; Singapore Department of Statistics; Bank of Korea.

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and weak domestic growth prospects. Stronger domestic demand, driven by investment, and prospects for sustainable positive inflation led the Bank of Japan to increase interest rates 25 basis points in July 2006.

### INVESTMENT STRATEGY

We invest selectively in bonds around the world to generate income for the Fund, seeking opportunities while monitoring changes in interest rates, currency exchange rates and credit risk.

### MANAGER'S DISCUSSION

U.S. dollar-denominated emerging market bonds generated strong positive performance in the 12-month period, despite the rise in U.S. Treasury yields. For example, U.S. 10-year Treasury yields rose 71 basis points to 4.74% over the period. The JPM EMBIG, composed of U.S. dollar-denominated emerging market sovereign debt, returned +9.02% for the period. 1 Sovereign interest rate spreads, a valuation measure, narrowed from 281 basis points over the U.S. Treasury market on August 31, 2005, to 197 basis points at period-end. Regionally, sovereign debt returned +11.64% in Latin America, +10.00% in Asia, and +3.56% in central and eastern Europe. 1 In addition to holding U.S. dollar- and euro-denominated sovereign debt, the Fund continued to diversify its currency exposure with holdings in local currency-denominated debt.

### LATIN AMERICA

Among the U.S. dollar-denominated debt included in the JPM EMBIG, Latin American bonds provided the highest return over the past year. Strong global demand boosted production, and high prices for regional exports allowed some countries to improve external balances and debt structures. Peru was one such country, as its US\$6.5 billion positive trade balance for the year ended June 2006, and an

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improving current account allowed the country to lower its external debt-to-GDP ratio to 34.4% in first quarter 2006, down from 44.3% one year earlier. <sup>7</sup> This robust expansion along with a market-friendly presidential election result led to our decision to increase the Fund's position in Peru. However, the U.S. dollar-denominated Peruvian sub-index of the JPM EMBIG underperformed the EMBIG as a whole and worked against the Fund's relative performance. The Fund's overweighted position in Argentina helped the Fund's relative performance. Argentinean U.S. dollar-denominated bonds benefited from the third consecutive year of strong GDP growth and were

### TOP 10 COUNTRIES

8/31/06

	% OF TOTAL NET ASSETS
Indonesia	14.5%
Brazil	11.5%
Argentina	11.0%
Russia	8.8%
Peru	8.6%
Iraq	4.7%
Venezuela	4.7%
Philippines	4.6%
Poland	4.5%
Ukraine	3.6%

7. Source: Banco Central de Reserva del Peru.

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shielded from the peso's high level of inflation. Additionally, the Fund benefited from exposure to Venezuela earlier in the fiscal year, as most of the country's +16.65% bond market return was generated in the first half of the reporting period. <sup>1</sup> Venezuela's bond market was supported by high oil prices and a 36.2% increase in exports for the year ended June 30, 2006. <sup>8</sup> Our underweighted position in Brazil detracted from relative performance, as the Brazilian bond market returned +17.50% over the period. <sup>1</sup> The Fund also diversified into local currency-denominated positions within Latin America, including Peru, which benefited from the same fundamental developments that drove U.S. dollar-denominated bond performance discussed above. Peruvian long-term bond yields declined from a high of 7.96% to 6.84% by period-end while Peru's currency, the sol, also generated positive currency returns against the U.S. dollar. <sup>9</sup>

### EASTERN EUROPE

Credit quality in Russia continued to strengthen during the year. Because Russia is a major oil producer, high oil prices supported strong external liquidity

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conditions, foreign reserve accumulation and capacity to repay external liabilities. These positive factors culminated in a credit rating upgrade to BBB from BBB- by independent credit rating agency Standard & Poor's in December 2005, and further credit improvement through August 2006 garnered another upgrade, to BBB+, just a few days after the Fund's fiscal year concluded. During the period, Russia used oil revenue savings to fully repay its obligations to the Paris Club (an organization of international creditors that provides debt relief to countries in need), accounting for US\$22 billion in external debt. <sup>10</sup> Including the impact of this payment, Russia's foreign reserves rose US\$110 billion over the year to US\$258 billion. <sup>11</sup> In addition to the positive impact of oil on trade, Russian economic growth was robust, accelerating to 7.4% in second quarter 2006 while nominal currency appreciation combined with some policy factors helped inflation slow to single-digit levels for the first time since 1998. <sup>11</sup> Despite strong economic and credit fundamentals, the Russian subindex of the JPM EMBIG underperformed the index as a whole, returning +2.51% over the year; however, relative performance benefited from the Fund's underweighted position. <sup>1</sup>

8. Source: Banco Central de Venezuela.
9. Source: Citibank Peru.
10. Source: Russian Finance Ministry.
11. Source: The Central Bank of the Russian Federation.

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Among our local currency holdings in Europe, the Polish zloty appreciated 6.20% against the U.S. dollar, and the Polish bond market rose 8.36% in U.S. dollar terms in the JPM Government Bond Index (GBI) Broad for the year under review, which detracted slightly from the Fund's performance versus the JPM EMBIG. <sup>12</sup> The Polish economy benefited from a strong competitive positioning, which bolstered double-digit export growth, while excess supply conditions provided room for low-inflationary economic growth. For example, Poland had 5.5% GDP growth in second quarter 2006 while inflation was 1.3% in July, significantly below the 2.5% target level. <sup>13</sup>

### ASIA

Given the strong regional growth dynamics discussed earlier, we maintained a relatively short duration positioning among our Asian local currency bonds, with the exception of Indonesia. Thailand was among the more aggressive interest rate tightening countries, hiking rates 225 basis points over the period, followed by South Korea which tightened 125 basis points. <sup>14</sup> In addition to short-term inflationary pressures from higher energy prices, rising capacity constraints in the region continued to increase medium-term risk factors to inflation, despite recent interest rate tightening. In Indonesia, the Fund's significantly overweighted position in longer duration local currency bonds benefited from the 100-basis-point interest rate reduction during the year. <sup>15</sup> Over the 12-month period, the Indonesian bond market returned +27.70% in local currency terms as measured by the HSBC Asian Local Bond Index (ALBI). <sup>16</sup> The Fund also benefited from currency exposure to the Indonesian rupiah, which rose 13.22% against the U.S. dollar. <sup>17</sup> Other Asian currencies also generated positive returns, with the Thai baht returning +9.88% against the U.S. dollar, followed by the South Korean won, which returned +8.22%. <sup>17</sup> Among the Fund's U.S. dollar-denominated sovereign bond holdings, the Philippines returned +17.65% following improved fiscal prospects and debt sustainability. <sup>1</sup> However, the Fund's underweighted exposure versus the JPM EMBIG worked against relative performance over the period.

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12. Source: J.P. Morgan. The JPM GBI Broad is a combination of the JPM GBI Global and selected other countries, launched in 1997 to increase country and return diversification in international fixed income markets. The JPM GBI Global tracks total returns for liquid, fixed-rate, domestic government bonds with maturities greater than one year issued by developed countries globally.
13. Sources: National Bank of Poland; World Bank.
14. Sources: Bank of Thailand; Bank of Korea.
15. Source: Bank Indonesia.
16. Source: HSBC. The HSBC ALBI tracks total return performance of a bond portfolio, which consists of local-currency denominated, high quality and liquid bonds in Asia ex-Japan. Local bond market returns are from country subindexes of the HSBC ALBI.
17. Source: Compustat.

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Thank you for your continued participation in Templeton Emerging Markets Income Fund. We look forward to serving your future investment needs.

Sincerely,

[PHOTO OMITTED] /s/ Michael Hasenstab

Michael Hasenstab, Ph.D.  
Portfolio Manager  
Templeton Emerging Markets Income Fund

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Performance Summary as of 8/31/06

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses. Capital gain distributions are net profits realized from the sale of portfolio securities. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Total returns do not reflect any sales charges paid at inception or brokerage commissions paid on secondary market purchases. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or realized gains on the sale of Fund shares.

### PRICE AND DISTRIBUTION INFORMATION

SYMBOL: TEI	CHANGE	8/31/06	8/31/05
Net Asset Value (NAV)	+\$0.88	\$14.63	\$13.75
Market Price (NYSE)	+\$0.17	\$13.49	\$13.32



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DISTRIBUTIONS (9/1/05 - 8/31/06)

-----  
Dividend Income \$0.91  
-----

### PERFORMANCE

	1-YEAR	5-YEAR	10-YEAR
Cumulative Total Return 1			
Based on change in NAV 2	+13.55%	+94.23%	+186.00%
Based on change in market price 3	+8.71%	+89.36%	+210.00%
Average Annual Total Return 1			
Based on change in NAV 2	+13.55%	+14.20%	+11.08%
Based on change in market price 3	+8.71%	+13.62%	+11.98%

PERFORMANCE DATA REPRESENT PAST PERFORMANCE, WHICH DOES NOT GUARANTEE FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE, AND YOU MAY HAVE A GAIN OR LOSS WHEN YOU SELL YOUR SHARES. CURRENT PERFORMANCE MAY DIFFER FROM FIGURES SHOWN.

### ENDNOTES

SPECIAL RISKS ARE ASSOCIATED WITH FOREIGN INVESTING, INCLUDING CURRENCY VOLATILITY, ECONOMIC INSTABILITY AND POLITICAL DEVELOPMENTS OF COUNTRIES WHERE THE FUND INVESTS. EMERGING MARKETS INVOLVE HEIGHTENED RISKS RELATED TO THE SAME FACTORS, IN ADDITION TO THOSE ASSOCIATED WITH THEIR RELATIVELY SMALL SIZE AND LESSER LIQUIDITY. ALSO, AS A NONDIVERSIFIED INVESTMENT COMPANY, THE FUND MAY INVEST IN A RELATIVELY SMALL NUMBER OF ISSUERS AND, AS A RESULT, BE SUBJECT TO GREATER RISK OF LOSS WITH RESPECT TO ITS PORTFOLIO SECURITIES.

1. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated.
2. Assumes reinvestment of distributions based on net asset value.
3. Assumes reinvestment of distributions based on the dividend reinvestment and cash purchase plan.

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### Important Notice to Shareholders

#### SHARE REPURCHASE PROGRAM

The Fund's Board previously authorized management to implement an open-market share repurchase program pursuant to which the Fund may purchase Fund shares, from time to time, in open-market transactions, at the discretion of management. This authorization remains in effect.

#### PORTFOLIO MANAGEMENT UPDATE

Dr. Michael Hasenstab, who has been a manager of the Fund since 2002, became the

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sole manager of the Fund effective June 1, 2006.

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Templeton Emerging Markets Income Fund

### FINANCIAL HIGHLIGHTS

	2006	YEAR ENDED 2005	
<b>PER SHARE OPERATING PERFORMANCE</b> (for a share outstanding throughout the year)			
Net asset value, beginning of year .....	\$ 13.75	\$ 13.23	\$
Income from investment operations:			
Net investment income a .....	0.89	0.82	
Net realized and unrealized gains (losses) .....	0.90	0.70	
Total from investment operations .....	1.79	1.52	
Less distributions from net investment income .....	(0.91)	(1.00)	
Net asset value, end of year .....	\$ 14.63	\$ 13.75	\$
Market value, end of year b .....	\$ 13.49	\$ 13.32	\$
 Total return (based on market value per share) .....	 8.71%	 11.74%	
<b>RATIOS/SUPPLEMENTAL DATA</b>			
Net assets, end of year (000's) .....	\$ 692,469	\$ 650,806	\$ 6
Ratios to average net assets:			
Expenses .....	1.22% c	1.21% c	
Net investment income .....	6.29%	5.97%	
Portfolio turnover rate .....	23.68%	53.16%	

a Based on average daily shares outstanding.

b Based on the last sale on the New York Stock Exchange.

c Benefit of expense reduction rounds to less than 0.01%.

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The accompanying notes are an integral part of these financial statements. | 9

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Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, AUGUST 31, 2006

	PRINCIPAL AMOUNT i
LONG TERM INVESTMENTS 89.0%	
BONDS 87.9%	
ARGENTINA 9.9%	
a,b Government of Argentina, FRN, 3.01%, 8/03/12 .....	97,845,000
BOSNIA AND HERZEGOVINA 1.8%	
a Government of Bosnia & Herzegovina, FRN, 3.50%, 12/11/17 .....	11,135,636 EU
BRAZIL 11.5%	
Government of Brazil,	
7.875%, 3/07/15 .....	1,275,000
12.50%, 1/05/16 .....	15,000,000 BR
8.00%, 1/15/18 .....	61,615,000
a FRN, 11.25%, 6/29/09 .....	2,900,000
COLOMBIA 2.6%	
Government of Colombia,	
12.00%, 10/22/15 .....	23,931,000,000 CO
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 14.5%	
Government of Indonesia,	
10.00%, 10/15/11 .....	1,690,000,000 ID
11.00%, 12/15/12 .....	3,650,000,000 ID
11.00%, 10/15/14 .....	120,832,000,000 ID
9.50%, 6/15/15 .....	9,450,000,000 ID
10.75%, 5/15/16 .....	26,870,000,000 ID
10.00%, 7/15/17 .....	18,800,000,000 ID
11.50%, 9/15/19 .....	40,000,000,000 ID
11.00%, 11/15/20 .....	132,050,000,000 ID
12.90%, 6/15/22 .....	2,000,000,000 ID
12.00%, 9/15/26 .....	7,850,000,000 ID
d Reg S, 7.50%, 1/15/16 .....	3,300,000
Indonesia Recapital Bonds,	
15.425%, 9/15/10 .....	2,800,000,000 ID
14.25%, 6/15/13 .....	234,282,000,000 ID
14.275%, 12/15/13 .....	166,215,000,000 ID
e,f,g,h PT Indah Kiat Finance Mauritius Ltd.,	
a FRN, 4.19%, 4/29/15 .....	3,155,909
a FRN, 4.19%, 4/29/18 .....	8,284,051

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zero cpn., 4/29/25 .....	5,370,423
e,f,g,h Tjiwi Kimia Finance Mauritius, secured note, 144A	
a FRN, 4.19%, 4/29/15 .....	1,184,694
a FRN, 4.19%, 4/29/18 .....	3,049,247
zero cpn., 4/29/25 .....	3,927,195

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Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, AUGUST 31, 2006 (CONTINUED)

	PRINCIPAL AMOUNT i
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LONG TERM INVESTMENTS (CONTINUED)	
BONDS (CONTINUED)	
IRAQ 4.7%	
c Government of Iraq, 144A, 5.80%, 1/15/28 .....	50,575,000
MEXICO 1.4%	
Government of Mexico, 10.00%, 12/05/24 .....	90,500,000 MX
PANAMA 0.9%	
Government of Panama, 6.70%, 1/26/36 .....	6,639,000
PERU 8.6%	
Government of Peru,	
9.875%, 2/06/15 .....	4,255,000
9.91%, 5/05/15 .....	51,975,000 PE
7.84%, 8/12/20 .....	485,000 PE
7.35%, 7/21/25 .....	10,520,000
8.75%, 11/21/33 .....	12,550,000
Series 7, 8.60%, 8/12/17 .....	24,910,000 PE
PHILIPPINES 4.6%	
Government of the Philippines,	
9.00%, 2/15/13 .....	11,460,000
8.875%, 3/17/15 .....	2,100,000
10.625%, 3/16/25 .....	2,500,000
9.50%, 2/02/30 .....	5,400,000
7.75%, 1/14/31 .....	500,000
d Reg S, 9.125%, 2/22/10 .....	160,000 EU
d Reg S, 8.75%, 10/07/16 .....	5,450,000

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POLAND 4.5%

Government of Poland,

8.50%, 11/12/06 .....	20,000,000	PL
8.50%, 5/12/07 .....	33,300,000	PL
6.00%, 5/24/09 .....	23,000,000	PL
6.25%, 10/24/15 .....	15,380,000	PL
5.75%, 9/23/22 .....	2,000,000	PL

RUSSIA 8.8%

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	

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Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, AUGUST 31, 2006 (CONTINUED)

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PRINCIPAL AMOUNT i  
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LONG TERM INVESTMENTS (CONTINUED)

BONDS (CONTINUED)

SOUTH KOREA 3.1%

Government of Korea,

6.90%, 1/16/07 .....	10,000,000,000	KR
4.75%, 3/12/08 .....	10,465,000,000	KR

THAILAND 2.2%

Bank of Thailand Bond, 3.25%, 5/19/07 .....	17,165,000	TH
Government of Thailand,		
8.00%, 12/08/06 .....	244,500,000	TH
4.125%, 2/12/08 .....	98,000,000	TH
8.50%, 12/08/08 .....	11,000,000	TH
4.80%, 4/09/10 .....	212,000,000	TH

UKRAINE 3.6%

c Government of Ukraine,

144A, 7.65%, 6/11/13 .....	11,948,000	
a 144A, FRN, 8.903%, 8/05/09 .....	11,660,000	

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VENEZUELA 4.7%	
Government of Venezuela, 9.25%, 9/15/27 .....	26,184,000
VIETNAM 0.1%	
a Government of Vietnam, FRN, 5.875%, 3/12/16 .....	949,565
TOTAL BONDS (COST \$553,102,208).....	
WARRANTS (COST \$7,140,043) 1.1%	
e, j ARGENTINA 1.1%	
Government of Argentina, wts., 12/15/35 .....	75,000,000
TOTAL LONG TERM INVESTMENTS (COST \$560,242,251).....	
SHORT TERM INVESTMENTS 8.7%	
GOVERNMENT AND AGENCY SECURITIES 2.7%	
EGYPT 1.1%	
k Egypt Treasury Bills, 11/21/06 - 7/24/07 .....	46,700,000 EG
THAILAND 1.6%	
k Thailand Treasury Bill, 10/12/06 .....	413,600,000 TH
TOTAL GOVERNMENT AND AGENCY SECURITIES (COST \$17,797,914).....	
TOTAL INVESTMENTS BEFORE MONEY MARKET FUND (COST \$578,040,165)....	

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Templeton Emerging Markets Income Fund

STATEMENT OF INVESTMENTS, AUGUST 31, 2006 (CONTINUED)

	SHARES
-----	
MONEY MARKET FUND (COST \$41,804,166) 6.0%	
UNITED STATES 6.0%	
l Franklin Institutional Fiduciary Trust Money Market Portfolio, 4.99% .....	41,804,166
TOTAL INVESTMENTS (COST \$619,844,331) 97.7% .....	
NET UNREALIZED GAIN ON FORWARD EXCHANGE CONTRACTS 0.0% m .....	
OTHER ASSETS, LESS LIABILITIES 2.3% .....	
NET ASSETS 100.0% .....	

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### CURRENCY ABBREVIATIONS

BRL - Brazilian Real  
COP - Colombian Peso  
EGP - Egyptian Pound  
EUR - Euro  
IDR - Indonesian Rupiah  
KRW - Korean Won  
MXN - Mexican Peso  
PEN - Peruvian Nuevo Sol  
PLN - Polish Zloty  
THB - Thailand Baht

### SELECTED PORTFOLIO ABBREVIATION

FRN - Floating Rate Note

- a The coupon rate shown represents the rate at period end.
- b The principal amount is stated in original face, and scheduled paydowns are reflected in the market price on ex-date.
- 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 August 31, 2006, the aggregate value of these securities was \$60,694,252, representing 8.76% 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 August 31, 2006, the aggregate value of these securities was \$70,639,393, representing 10.20% of net assets.
- e Non-income producing for the twelve months ended August 31, 2006.
- f See Note 10 regarding restricted securities.
- g See Note 11 regarding other considerations.
- h Security has been deemed illiquid because it may not be able to be sold within seven days. At August 31, 2006, the aggregate value of these securities was \$8,710,794, representing 1.26% of net assets.
- i The principal amount is stated in U.S. dollars unless otherwise indicated.
- j Security is linked to Argentine Republic Gross Domestic Product (GDP). Security does not pay principal over life of security or at expiration. Payments are based on growth of Argentine GDP, subject to certain conditions.
- k The security is traded on a discount basis with no stated coupon rate.
- l See Note 12 regarding investments in the Franklin Institutional Fiduciary Trust Money Market Portfolio. The rate shown is the annualized seven-day yield at period end.
- m Rounds to less than 0.1% of net assets.

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The accompanying notes are an integral part of these financial statements. | 13

Templeton Emerging Markets Income Fund

## FINANCIAL STATEMENTS

### STATEMENT OF ASSETS AND LIABILITIES

August 31, 2006

#### Assets:

##### Investments in securities:

Cost - Unaffiliated issuers .....	\$578,
Cost - Sweep Money Fund (Note 12) .....	41,
	-----

Total cost of investments .....	\$619,
	=====

Value - Unaffiliated issuers .....	\$635,
Value - Sweep Money Fund (Note 12) .....	41,
	-----

Total value of investments .....	676,
----------------------------------	------

Foreign currency, at value (cost \$267,615) .....

##### Receivables:

Investment securities sold .....	11,
Dividends and interest .....	11,
	-----

Unrealized gain on forward exchange contracts (Note 7) .....

Total assets .....	700,
	-----

#### Liabilities:

##### Payables:

Investment securities purchased .....	6,
Deferred sales proceeds (Note 11) .....	
Affiliates .....	
	-----

Accrued expenses and other liabilities .....

Total liabilities .....	7,
	-----

Net assets, at value .....	\$692,
	=====

#### Net assets consist of:

Paid-in capital .....	\$662,
Undistributed net investment income .....	5,
Net unrealized appreciation (depreciation) .....	57,
Accumulated net realized gain (loss) .....	(32,
	-----

Net assets, at value .....	\$692,
	=====

Shares outstanding .....	47,
	=====

Net asset value per share .....	=====
---------------------------------	-------

14 | The accompanying notes are an integral part of these financial statements.

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Templeton Emerging Markets Income Fund

FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF OPERATIONS

for the year ended August 31, 2006

Investment income:

Dividends - Sweep Money Fund (Note 12) .....	\$ 1,
Interest (net of foreign taxes of \$977,345) .....	49,
	-----
Total investment income .....	50,
	-----

Expenses:

Management fees (Note 3a) .....	5,
Administrative fees (Note 3b) .....	1,
Transfer agent fees .....	
Custodian fees (Note 4) .....	
Reports to shareholders .....	
Registration and filing fees .....	
Professional fees .....	
Trustees' fees and expenses .....	
Other .....	
	-----
Total expenses .....	8,
Expense reductions (Note 4) .....	
	-----
Net expenses .....	8,
	-----
Net investment income .....	42,
	-----

Realized and unrealized gains (losses):

Net realized gain (loss) from:	
Investments .....	33,
Foreign currency transactions .....	
	-----
Net realized gain (loss).....	33,
	-----

Net change in unrealized appreciation (depreciation) on:

Investments .....	9,
Translation of assets and liabilities denominated in foreign currencies .....	
	-----
Net change in unrealized appreciation (depreciation) .....	9,
	-----

Net realized and unrealized gain (loss) .....

Net increase (decrease) in net assets resulting from operations ..... \$ 84,  
=====

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Templeton Emerging Markets Income Fund

FINANCIAL STATEMENTS (CONTINUED)

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## STATEMENTS OF CHANGES IN NET ASSETS

Increase (decrease) in net assets:		
Operations:		
Net investment income .....		\$ 4
Net realized gain (loss) from investments and foreign currency transactions .....		3
Net change in unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies .....		
Net increase (decrease) in net assets resulting from operations .....		8
Distributions to shareholders from net investment income .....		(4)
Capital share transactions: (Note 2) .....		
Net increase (decrease) in net assets .....		4
Net assets:		
Beginning of year .....		65
End of year .....		\$ 69
Undistributed net investment income (distributions in excess of net investment income) included in net assets:		
End of year .....		\$

16 | The accompanying notes are an integral part of these financial statements.  
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Templeton Emerging Markets Income Fund

### NOTES TO FINANCIAL STATEMENTS

#### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The following summarizes the Fund's significant accounting policies.

##### A. SECURITY VALUATION

Securities listed on a securities exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter securities and listed securities for which there is no reported sale are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Investments in open-end mutual funds are valued at the closing net asset value.

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Corporate debt securities and government securities generally trade in the over-the-counter market rather than on a securities exchange. The Fund may utilize independent pricing services, quotations from bond dealers, and information with respect to bond and note transactions, to assist in determining a current market value for each security. The Fund's pricing services may use valuation models or matrix pricing which considers information with respect to comparable bond and note transactions, quotations from bond dealers, or by reference to other securities that are considered comparable in such characteristics as rating, interest rate and maturity date, option adjusted spread models, prepayment projections, interest rate spreads and yield curves, to determine current value.

The Fund has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced. Methods for valuing these securities may include: fundamental analysis, matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities. Due to the inherent uncertainty of valuations of such securities, the fair values may differ significantly from the values that would have been used had a ready market for such investments existed. Occasionally, events occur between the time at which trading in a security is completed and the close of the NYSE that might call into question the availability (including the reliability) of the value of a portfolio security held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services. All security valuation procedures are approved by the Fund's Board of Trustees.

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Templeton Emerging Markets Income Fund

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. FOREIGN CURRENCY TRANSLATION

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Fund's Board of Trustees.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on

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foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

### C. FOREIGN CURRENCY CONTRACTS

When the Fund purchases or sells foreign securities it may enter into foreign exchange contracts to minimize foreign exchange risk from the trade date to the settlement date of the transactions. A foreign exchange contract is an agreement between two parties to exchange different currencies at an agreed upon exchange rate at a future date. Realized and unrealized gains and losses on these contracts are included in the Statement of Operations.

The Fund may also enter into forward exchange contracts to hedge against fluctuations in foreign exchange rates or to gain exposure to certain foreign currencies. These contracts are valued daily by the Fund and the unrealized gains or losses on the contracts, as measured by the difference between the contractual forward foreign exchange rates and the forward rates at the reporting date, are included in the Statement of Assets and Liabilities. Realized and unrealized gains and losses on these contracts are included in the Statement of Operations.

The risks of these contracts include movement in the values of the foreign currencies relative to the U.S. dollar and the possible inability of the counterparties to fulfill their obligations under the contracts, which may be in excess of the amount reflected in the Statement of Assets and Liabilities.

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Templeton Emerging Markets Income Fund

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### D. INCOME TAXES

No provision has been made for U.S. income taxes because the Fund intends to qualify as a regulated investment company under the Internal Revenue Code and to distribute to shareholders substantially all of its taxable income and net realized gains.

Foreign securities held by the Fund may be subject to foreign taxation on interest income received. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests.

##### E. SECURITY TRANSACTIONS, INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not

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reclassified, as they may reverse in subsequent periods.

### F. ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

### G. GUARANTEES AND INDEMNIFICATIONS

Under the Fund's organizational documents, its officers and trustees are indemnified by the Fund against certain liabilities arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

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Templeton Emerging Markets Income Fund

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### 2. SHARES OF BENEFICIAL INTEREST

At August 31, 2006, there were an unlimited number of shares authorized (without par value). During the year ended August 31, 2006, there were no shares issued; all reinvested distributions were satisfied with previously issued shares purchased in the open market. During the year ended August 31, 2005, 173,815 shares were issued for \$2,358,018 from reinvested distributions.

The Fund's Board of Trustees previously authorized an open-market share repurchase program pursuant to which the Fund may purchase, from time to time, Fund shares in open-market transactions, at the discretion of management. This authorization remains in effect. Through August 31, 2006, the Fund had repurchased a total of 610,500 shares. During the year ended August 31, 2006, there were no share repurchases.

#### 3. TRANSACTIONS WITH AFFILIATES

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

---

SUBSIDIARY	AFFILIATION
------------	-------------

Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager

#### A. MANAGEMENT FEES

The Fund pays investment management fees to Advisers based on the average daily net assets of the Fund as follows:

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ANNUALIZED FEE RATE	NET ASSETS
0.850%	Up to and including \$1 billion
0.830%	Over \$1 billion, up to and including \$5 billion
0.810%	Over \$5 billion, up to and including \$10 billion
0.790%	Over \$10 billion, up to and including \$15 billion
0.770%	Over \$15 billion, up to and including \$20 billion
0.750%	In excess of \$20 billion

B. ADMINISTRATIVE FEES

The Fund pays an administrative fee to FT Services of 0.15% per year of the average daily net assets of the Fund.

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Templeton Emerging Markets Income Fund

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended August 31, 2006, the custodian fees were reduced as noted in the Statement of Operations.

5. INCOME TAXES

At August 31, 2006, the Fund had tax basis capital losses which may be carried over to offset future capital gains, if any. During the year ended August 31, 2006, the Fund utilized \$18,062,664 of capital loss carryforwards. At August 31, 2006, the capital loss carryforwards were as follows:

Capital loss carryforwards expiring in:	
2010 .....	\$ 8,361,871
2011 .....	24,484,014
	-----
	\$32,845,885
	=====

The tax character of distributions paid during the years ended August 31, 2006 and 2005, was as follows:

	2006	2005
Distributions paid from:		
Ordinary income .....	\$43,078,352	\$47,234,148

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

Cost of investments .....	\$ 623,206,588
	=====
Unrealized appreciation .....	\$ 57,613,111
Unrealized depreciation .....	(3,968,033)

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Net unrealized appreciation (depreciation) .....		\$ 53,645,078	----- =====
Distributable earnings - undistributed ordinary income ..		\$ 9,994,630	=====

Net investment income differs for financial statement and tax purposes primarily due to differing treatments of foreign currency transactions and bond discounts and premiums.

Net realized gains (losses) differ for financial statement and tax purposes primarily due to differing treatments of wash sales, foreign currency transactions, and bond discounts and premiums.

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Templeton Emerging Markets Income Fund

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### 6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the year ended August 31, 2006, aggregated \$146,542,592 and \$198,641,646, respectively.

#### 7. FORWARD EXCHANGE CONTRACTS

At August 31, 2006, the Fund had the following forward exchange contracts outstanding:

CONTRACTS TO SELL	CONTRACT AMOUNT	SETTLEMENT DATE	UNREALIZED GAIN (LOSS)
61,513,239 Mexican Peso .....	\$5,568,321	8/16/07	\$ 48,305
42,706,994 Mexican Peso .....	3,882,807	8/20/07	51,554
Net unrealized gain (loss) on forward exchange contracts ....			\$ 99,859

#### 8. CREDIT RISK

The Fund has 76.15% of its portfolio invested in below investment grade and comparable quality unrated high yield securities, which tend to be more sensitive to economic conditions than higher rated securities. The risk of loss due to default by the issuer may be significantly greater for the holders of high yielding securities because such securities are generally unsecured and are often subordinated to other creditors of the issuer.

#### 9. CONCENTRATION OF RISK

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain

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foreign securities may not be as liquid as U.S. securities.

### 10. RESTRICTED SECURITIES

The Fund may invest in securities that are restricted under the Securities Act of 1933 (the 1933 Act) or which are subject to legal, contractual, or other agreed upon restrictions on resale. Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for certain restricted securities held at period end. The issuer generally incurs all registration costs.

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Templeton Emerging Markets Income Fund

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### 10. RESTRICTED SECURITIES (CONTINUED)

At August 31, 2006, the Fund held investments in restricted securities, excluding 144A securities deemed to be liquid, valued in accordance with procedures approved by the Fund's Board of Trustees as reflecting fair value, as follows:

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, 144A, zero cpn., 4/29/25 .....	4/29/05	1
TOTAL RESTRICTED SECURITIES (1.26% OF NET ASSETS) .....			

#### 11. 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 Finance Mauritius in November 2006. Until the completion of the sale, the transaction is being accounted for as a secured borrowing with a pledge of collateral. Any preliminary sales proceeds or other interest and cash distributions received are deferred until the completion of the sale transaction and will be recorded as part of the net sales proceeds.



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### 12. INVESTMENTS IN FRANKLIN INSTITUTIONAL FIDUCIARY TRUST MONEY MARKET PORTFOLIO

The Fund may invest in the Franklin Institutional Fiduciary Trust Money Market Portfolio (the Sweep Money Fund), an open-end investment company managed by Advisers. Management fees paid by the Fund are reduced on assets invested in the Sweep Money Fund, in an amount not to exceed the management and administrative fees paid by the Sweep Money Fund.

### 13. REGULATORY MATTERS

As part of various investigations by a number of federal, state, and foreign regulators and governmental entities, relating to certain practices in the mutual fund industry, including late trading, market timing and marketing support payments to securities dealers who sell fund shares, Franklin Resources, Inc. and certain of its subsidiaries (collectively, the "Company"), entered into settlements with certain of those regulators.

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Templeton Emerging Markets Income Fund

#### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### 13. REGULATORY MATTERS (CONTINUED)

Specifically, the Company entered into settlements with the Securities and Exchange Commission ("SEC") concerning market timing (the "August 2, 2004 SEC Order") and marketing support payments to securities dealers who sell fund shares (the "December 13, 2004 SEC Order") and with the California Attorney General's Office ("CAGO") concerning marketing support payments to securities dealers who sell fund shares (the "CAGO Settlement"). Under the terms of the settlements with the SEC and the CAGO, the Company retained an Independent Distribution Consultant ("IDC") to develop separate plans for the distribution of the respective settlement monies. The CAGO approved the distribution plan pertaining to the distribution of the monies owed under the CAGO settlement agreement, and in March 2005, the disbursement of monies to the relevant funds in accordance with the terms and conditions of that settlement was completed. The Fund did not participate in the CAGO Settlement.

On June 23, 2006, the SEC approved the IDC's proposed plan of distribution arising from the December 13, 2004 SEC Order and disbursement of the settlement monies to the designated funds in accordance with the terms and conditions of the SEC's order and the plan was completed in September 2006. The Fund did not participate in the December 13, 2004 SEC Order.

The IDC has also completed a proposed Plan of Distribution under the August 2, 2004 SEC Order resolving the SEC's market timing investigation and has submitted that plan to the SEC staff, where it is under review. The SEC has announced the following expected schedule with respect to the market timing Plan of Distribution. The SEC anticipates that Notice of the Plan will be published on or after November 15, 2006. After publication and comment, the proposed Distribution Plan will be submitted to the SEC for approval. When the SEC approves the proposed Distribution Plan, with modifications as appropriate, distributions will begin pursuant to that Plan.

In addition, the Company, as well as most of the mutual funds within Franklin Templeton Investments and certain current or former officers, directors, and/or employees, have been named in private lawsuits (styled as shareholder class actions, or as derivative actions on behalf of either the named funds or

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Franklin Resources, Inc.) relating to the industry practices referenced above, as well as to allegedly excessive advisory fees, commissions, and/or 12b-1 fees. The lawsuits were filed in different courts throughout the country. Many of those suits are now pending in a multi-district litigation in the United States District Court for the District of Maryland.

The Company and fund management strongly believe that the claims made in each of the private lawsuits referenced above are without merit and intend to defend against them vigorously. The Company cannot predict with certainty the eventual outcome of these lawsuits, nor whether they will have a material negative impact on the Company. If it is determined that the Company bears responsibility for any unlawful or inappropriate conduct that caused losses to the Fund, it is committed to making the Fund or its shareholders whole, as appropriate.

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Templeton Emerging Markets Income Fund

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 14. NEW ACCOUNTING PRONOUNCEMENT

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return. FIN 48 provides guidance on the measurement, recognition, classification and disclosure of tax positions, along with accounting for the related interest and penalties. FIN 48 is effective for fiscal years beginning after December 15, 2006, and is to be applied to all open tax years as of the date of effectiveness. The Fund is currently evaluating the impact, if any, of applying the various provisions of FIN 48.

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Templeton Emerging Markets Income Fund

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF TRUSTEES AND SHAREHOLDERS OF TEMPLETON EMERGING MARKETS INCOME FUND

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Templeton Emerging Markets Income Fund (the "Fund") at August 31, 2006, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit

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includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at August 31, 2006 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California  
October 18, 2006

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Templeton Emerging Markets Income Fund

### TAX DESIGNATION (UNAUDITED)

Under Section 871(k)(1)(C) of the Internal Revenue Code (Code), the Fund designates the maximum amount allowable but no less than \$1,154,593 as interest related dividends for purposes of the tax imposed under Section 871(a)(1)(A) of the Code for the fiscal year ended August 31, 2006.

At August 31, 2006, more than 50% of the Templeton Emerging Markets Income Funds total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from dividends paid to the Fund on these investments. As shown in the table below, the Fund designates to shareholders the foreign source income and foreign taxes paid, pursuant to Section 853 of the Code. This designation will allow shareholders of record on September 29, 2006, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

The following table provides a detailed analysis, by country, of foreign tax paid, foreign source income, and foreign qualified dividends as designated by the Fund, to shareholders of record.

RECORD DATE: 9/29/2006

COUNTRY	FOREIGN TAX PAID PER SHARE	FOREIGN SOURCE INCOME PER SHARE	FOREIGN QUALIFIED DIVIDENDS PER SHARE
Argentina .....	\$0.0000	\$0.1254	\$0.0000
Bosnia and Herzegovina .....	0.0000	0.0117	0.0000
Brazil .....	0.0000	0.1357	0.0000
Colombia .....	0.0000	0.0355	0.0000
Egypt .....	0.0000	0.0102	0.0000
El Salvador .....	0.0000	0.0002	0.0000
Indonesia .....	0.0160	0.1793	0.0000
Iraq .....	0.0000	0.0195	0.0000
Mexico .....	0.0000	0.0037	0.0000
Panama .....	0.0000	0.0083	0.0000
Peru .....	0.0000	0.0538	0.0000
Philippines .....	0.0000	0.0449	0.0000

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Poland .....	0.0000	0.0376	0.0000
Russia .....	0.0000	0.0707	0.0000
Slovak Republic .....	0.0000	0.0025	0.0000
South Africa .....	0.0000	0.0035	0.0000
South Korea .....	0.0046	0.0254	0.0000
Thailand .....	0.0000	0.0178	0.0000
Ukraine .....	0.0000	0.0329	0.0000
Venezuela .....	0.0000	0.0798	0.0000
Vietnam .....	0.0000	0.0012	0.0000
TOTAL .....	\$0.0206	\$0.8996	\$0.0000

Foreign Tax Paid per Share (Column 1) is the amount per share available to you, as a tax credit (assuming you held your shares in the Fund for a minimum of 16 days during the 31-day period beginning 15 days before the ex-dividend date of the Fund's distribution to which the foreign taxes relate), or, as a tax deduction.

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Templeton Emerging Markets Income Fund

TAX DESIGNATION (UNAUDITED) (CONTINUED)

Foreign Source Income per Share (Column 2) is the amount per share of income dividends paid to you that is attributable to foreign securities held by the Fund, plus any foreign taxes withheld on these dividends. The amounts reported include foreign source qualified dividends that have not been adjusted for the rate differential applicable to such dividend income. <sup>1</sup>

Foreign Qualified Dividends per Share (Column 3) is the amount per share of foreign source qualified dividends the Fund paid to you, plus any foreign taxes withheld on these dividends. These amounts represent the portion of the Foreign Source Income reported to you in column 2 that were derived from qualified foreign securities held by the Fund. <sup>1</sup>

In January 2007, shareholders will receive Form 1099-DIV which will include their share of taxes paid and foreign source income distributed during the calendar year 2006. The Foreign Source Income reported on Form 1099-DIV has not been adjusted for the rate differential on foreign source qualified dividend income. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their 2006 individual income tax returns.

<sup>1</sup> Qualified dividends are taxed at a maximum rate of 15% (5% for those in the 10% and 15% income tax brackets). In determining the amount of foreign tax credit that may be applied against the U.S. tax liability of individuals receiving foreign source qualified dividends, adjustments may be required to the foreign tax credit limitation calculation to reflect the rate differential applicable to such dividend income. The rules however permit certain individuals to elect not to apply the rate differential adjustments for capital gains and/or dividends for any taxable year. Please consult your tax advisor and the instructions to Form 1116 for more information.

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Templeton Emerging Markets Income Fund

ANNUAL MEETING OF SHAREHOLDERS, FEBRUARY 24, 2006

The Annual Meeting of Shareholders of the Fund was held at the Fund's offices, 500 E. Broward Blvd., Fort Lauderdale, Florida, on February 24, 2006. The purpose of the meeting was to elect three Trustees of the Fund. At the meeting, the following persons were elected by the shareholders to serve as Trustees of the Fund: Gordon S. Macklin, David W. Niemiec and Larry D. Thompson.\*No other business was transacted at the meeting.

The results of the voting at the Annual Meeting are as follows:

The election of three (3) Trustees:

TERM EXPIRING 2009	FOR	% OF OUTSTANDING SHARES	% OF SHARES PRESENT AND VOTING	WITHHELD	% OF OUTSTANDING SHARES	% OF SHARES PRESENT AND VOTING
Gordon S. Macklin .....	42,913,910	90.65%	97.92%	909,561	1.92%	2.08%
David W. Niemiec .....	43,089,828	91.02%	98.33%	733,643	1.55%	1.67%
Larry D. Thompson .....	43,081,592	91.01%	98.31%	741,879	1.57%	1.69%

\* Harris J. Ashton, Harmon E. Burns, Frank J. Crothers, S. Joseph Fortunato, Edith E. Holiday, Charles B. Johnson, Frank A. Olson and Constantine D. Tseretopoulos are Trustees of the Fund who are currently serving and whose terms of office continued after the Annual Meeting of Shareholders.

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Templeton Emerging Markets Income Fund

### DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The Fund offers a Dividend Reinvestment and Cash Purchase Plan (the "Plan") with the following features:

If shares of the Fund are held in the shareholder's name, the shareholder will automatically be a participant in the Plan unless he elects to withdraw. If the shares are registered in the name of a broker-dealer or other nominee (i.e., in "street name"), the broker-dealer or nominee will elect to participate in the Plan on the shareholder's behalf unless the shareholder instructs them otherwise, or unless the reinvestment service is not provided by the broker-dealer or nominee.

Participants should contact Mellon Investor Services, P.O. Box 3338, South Hackensack, NJ 07606-1938, to receive the Plan brochure.

To receive dividends or distributions in cash, the shareholder must notify Mellon Investor Services (the "Plan Administrator") at the address above or the institution in whose name the shares are held. The Plan Administrator must receive written notice within ten business days before the record date for the

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distribution.

Whenever the Fund declares dividends in either cash or shares of the Fund, if the market price is equal to or exceeds net asset value at the valuation date, the participant will receive the dividends entirely in shares at a price equal to the net asset value, but not less than 95% of the then current market price of the Fund's shares. If the market price is lower than net asset value or if dividends and/or capital gains distributions are payable only in cash, the participant will receive shares purchased on the New York Stock Exchange or otherwise on the open market.

A participant has the option of submitting additional cash payments to the Plan Administrator, in any amounts of at least \$100, up to a maximum of \$5,000 per month, for the purchase of Fund shares for his or her account. These payments shall be made by check or money order payable to "Mellon Bank, N.A." and sent to Mellon Investor Services, P.O. Box 382009, Pittsburgh, PA 15250-8009, Attention: Templeton Emerging Markets Income Fund. The Plan Administrator shall apply such payments (less a \$5.00 service charge and less a pro rata share of trading fees) to purchases of the Fund's shares on the open market.

The automatic reinvestment of dividends and/or capital gains does not relieve the participant of any income tax that may be payable on dividends or distributions.

Whenever shares are purchased on the New York Stock Exchange or otherwise on the open market, each participant will pay a pro rata portion of trading fees. Trading fees will be deducted from amounts to be invested. The Plan Administrator's fees for a sale of shares through the Plan are \$15.00 per transaction plus a \$0.12 per share trading fee.

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Templeton Emerging Markets Income Fund

### DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (CONTINUED)

A participant may withdraw from the Plan without penalty at any time by written notice to the Plan Administrator sent to Mellon Investor Services, P.O. Box 3338, South Hackensack, NJ 07606-1938. Upon withdrawal, the participant will receive, without charge, share certificates issued in the participant's name for all full shares held by the Plan Administrator; or, if the participant wishes, the Plan Administrator will sell the shares and send the proceeds to the participant, less a service charge of \$15.00 and less trading fees of \$0.12 per share.

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Templeton Emerging Markets Income Fund

### TRANSFER AGENT

Mellon Investor Services LLC  
480 Washington Boulevard  
Jersey City, NJ 07310  
1-800-416-5585  
www.melloninvestor.com

SHAREHOLDER INFORMATION

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Shares of Templeton Emerging Markets Income Fund are traded on the New York Stock Exchange under the symbol "TEI." Information about the net asset value and the market price is published each Monday in the WALL STREET JOURNAL, weekly in BARRON'S and each Saturday in THE NEW YORK TIMES and other newspapers. Daily market prices for the Fund's shares are published in the "New York Stock Exchange Composite Transactions" section of newspapers.

For current information about distributions and shareholder accounts, call 1-800-416-5585. Registered shareholders can access their Fund account on-line with Investor ServiceDirect(R). For information go to Mellon Investor Services' web site at <https://vault.melloninvestor.com/isd> and follow the instructions.

The daily closing net asset value as of the previous business day may be obtained when available by calling Franklin Templeton Fund Information after 7 a.m. Pacific time any business day at 1-800/DIAL BEN(R) (1-800/342-5236). The Fund's net asset value and dividends are also listed on the NASDAQ Stock Market, Inc.'s Mutual Fund Quotation Service ("NASDAQ MFQS").

Shareholders not receiving copies of reports to shareholders because their shares are registered in the name of a broker or a custodian can request that they be added to the Fund's mailing list by writing Templeton Emerging Markets Income Fund, 100 Fountain Parkway, P.O. Box 33030, St. Petersburg, FL 33733-8030.

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### Templeton Emerging Markets Income Fund

#### BOARD MEMBERS AND OFFICERS

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Fund, principal occupations during the past five years and number of U.S. registered portfolios overseen in the Franklin Templeton Investments fund complex are shown below. Generally, each board member serves a three-year term that continues until that person's successor is appointed and qualified.

#### INDEPENDENT BOARD MEMBERS

NAME, YEAR OF BIRTH AND ADDRESS	POSITION	LENGTH OF TIME SERVED	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER*	OT
HARRIS J. ASHTON (1932) 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091	Trustee	Since 1993	143	Di co
PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Director of various companies; and FORMERLY, Director, RBC Holdings, Inc. (bank holding company) Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft ce				
FRANK J. CROTHERS (1944) 500 East Broward Blvd. Suite 2100	Trustee	Since 1999	19	No

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Fort Lauderdale, FL 33394-3091

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Chairman, Island Corporate Holdings Ltd.; Director and Vice Chairman, Caribbean Utilities Co. Ltd. Ltd.; director of various other business and nonprofit organizations; and FORMERLY, Chairman, A (1977-2003).

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***S. JOSEPH FORTUNATO (1932)	Trustee	Since 1993	144	No
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500 East Broward Blvd.  
Suite 2100  
Fort Lauderdale, FL 33394-3091

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Attorney; and FORMERLY, member of the law firm of Pitney, Hardin, Kipp & Szuch (until 2002) (Cons

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EDITH E. HOLIDAY (1952)	Trustee	Since 1996	139	Di
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500 East Broward Blvd.  
Suite 2100  
Fort Lauderdale, FL 33394-3091

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Director or Trustee of various companies and trusts; and FORMERLY, Assistant to the President of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988

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NAME, YEAR OF BIRTH AND ADDRESS	POSITION	LENGTH OF TIME SERVED	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER*	OT
***GORDON S. MACKLIN (1928) 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091	Trustee	Since 1993	143	Di (b (I Di Co MC In (1 In co (a Ma (1

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Director of various companies; Senior Business Advisor, Martek Biosciences Corporation (research



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Deputy Chairman, White Mountains Insurance Group, Ltd. (holding company) (2001-2004); Chairman, W services) (1993-1998) and Hambrecht & Quist Group (investment banking) (1987-1992); and President Securities Dealers, Inc. (1970-1987).

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DAVID W. NIEMIEC (1949) 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091	Trustee	Since 2005	19	
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Advisor, Saratoga Partners (private equity fund); Director, various private companies; and FORMER Partners (1998-2001) and SBC Warburg Dillon Read (investment banking) (1997-1998); Vice Chairman, (investment banking) (1991-1997); and Chief Financial Officer, Dillon, Read & Co. Inc. (1982-1997)

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FRANK A. OLSON (1932) 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091	Trustee	Since 2003	102	
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Chairman Emeritus, The Hertz Corporation (car rental) (since 2000) (Chairman of the Board (1980-2 (1977-1999)); and FORMERLY, Chairman of the Board, President and Chief Executive Officer, UAL Cor

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NAME, YEAR OF BIRTH AND ADDRESS	POSITION	LENGTH OF TIME SERVED	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER*	OT
LARRY D. THOMPSON (1945) 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091	Trustee	Since 2005	19	No

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Senior Vice President - Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (consume Director, Delta Airlines (aviation) (2003-2005) and Providian Financial Corp. (1997-2001); Senior Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Depu Department of Justice (2001-2003).

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CONSTANTINE D. TSERETOPOULOS	Trustee	Since 1999	19	
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(1954)  
 500 East Broward Blvd.  
 Suite 2100  
 Fort Lauderdale, FL 33394-3091

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Physician, Lyford Cay Hospital (1987-present); director of various nonprofit organizations; and Professor, University of Maryland (1985-1987) and Internal Medicine Resident, Greater Baltimore Medical Center

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***ROBERT E. WADE (1946)	Trustee	Since March 2006	29	
500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091				

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Practicing attorney.

INTERESTED BOARD MEMBERS AND OFFICERS

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NAME, YEAR OF BIRTH AND ADDRESS	POSITION	LENGTH OF TIME SERVED	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER*	
**HARMON E. BURNS (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee and Vice President	Trustee since 1993 and Vice President since 1996	21	No

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Vice Chairman, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Vice President, Templeton Distributors, Inc.; Executive Vice President, Franklin Advisers, Inc.; and officer and/or director, may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.

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**CHARLES B. JOHNSON (1933) One Franklin Parkway San Mateo, CA 94403-1906	Trustee, Chairman of the Board and Vice President	Trustee and Chairman of the Board since 1995 and Vice President since 1993	143	
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Chairman of the Board, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Vice President, Templeton Distributors, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 42 of the investment companies in Franklin Templeton Investments.

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NAME, YEAR OF BIRTH AND ADDRESS	POSITION	LENGTH OF TIME SERVED	FUND COMPLEX OVERSEEN BY BOARD MEMBER*	OT
JAMES M. DAVIS (1952) One Franklin Parkway San Mateo, CA 94403-1906	Chief Compliance Officer and Vice President - AML Compliance	Chief Compliance Officer since 2004 and Vice President - AML Compliance since February 2006	Not Applicable	No

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Director, Global Compliance, Franklin Resources, Inc.; officer of 47 of the investment companies and FORMERLY, Director of Compliance, Franklin Resources, Inc. (1994-2001).

JEFFREY A. EVERETT (1964) PO Box N-7759 Lyford Cay, Nassau, Bahamas	Vice President	Since 2001	Not Applicable	No
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

President and Director, Templeton Global Advisors Limited; and officer of 14 of the investment co Investments.

JIMMY D. GAMBILL (1947) 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091	Senior Vice President and Chief Executive Officer-Finance and Administration	Since 2002	Not Applicable	No
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

President, Franklin Templeton Services, LLC; Senior Vice President, Templeton Worldwide, Inc.; and companies in Franklin Templeton Investments.

DAVID P. GOSS (1947) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2000	Not Applicable	No
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Senior Associate General Counsel, Franklin Templeton Investments; officer and director of one of Resources, Inc.; and officer of 47 of the investment companies in Franklin Templeton Investments.

BARBARA J. GREEN (1947) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2000	Not Applicable	No
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Vice President, Deputy General Counsel and Secretary, Franklin Resources, Inc.; Secretary and Sen Worldwide, Inc.; Secretary, Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin In Franklin Mutual Advisers, LLC, Franklin Templeton Alternative Strategies, Inc., Franklin Templeto Templeton Services, LLC, Franklin Templeton Distributors, Inc., Templeton Investment Counsel, LLC Services, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of Franklin Templeton Investments; and FORMERLY, Deputy Director, Division of Investment Management, Advisor to the Chairman, Counselor to the Chairman, Special Counsel and Attorney Fellow, U.S. Sec (1986-1995); Attorney, Rogers & Wells (until 1986); and Judicial Clerk, U.S. District Court (Dist 1979).

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NAME, YEAR OF BIRTH AND ADDRESS	POSITION	LENGTH OF TIME SERVED	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER*	OT
RUPERT H. JOHNSON, JR. (1940) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 1996	Not Applicable	No

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:  
Vice Chairman, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Vice President, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Resources, Inc.; and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. investment companies in Franklin Templeton Investments.

JOHN R. KAY (1940) 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091	Vice President	Since 1994	Not Applicable	No
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:  
Vice President, Templeton Worldwide, Inc.; Assistant Vice President, Franklin Templeton Distributors, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. investment companies in Franklin Templeton Investments; and FORMERLY, Vice President and Controller of Franklin Templeton Investments.

CHRISTOPHER J. MOLUMPHY (1962) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer - Investment Management	Since 2002	Not Applicable	No
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:  
Executive Vice President, Franklin Advisers, Inc.; and officer of six of the investment companies in Franklin Templeton Investments.

ROBERT C. ROSSELOT (1960) 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091	Secretary	Since 2004	Not Applicable	No
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:  
Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Assistant Secretary, Templeton Investment Counsel, LLC; Vice President, Secretary and Trust Officer of the South; and officer of 14 of the investment companies in Franklin Templeton Investments.