Net Element, Inc.
Form DEFM14A
September 05, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Net Element, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

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(4) Date Filed:

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CAZADOR ACQUISITION CORPORATION LTD.	NET ELEMENT, INC.

To the Shareholders of Cazador Acquisition Corporation Ltd. and Net Element, Inc.:

Each of the respective boards of directors of Cazador Acquisition Corporation Ltd., or Cazador, and Net Element, Inc., or Net Element, have approved an agreement and plan of merger by and between Cazador and Net Element, or the merger agreement, pursuant to which Net Element will merge with and into Cazador, with Cazador as the surviving entity. The foregoing transaction is referred to in this joint proxy statement/prospectus as the merger.

As a condition to closing the merger pursuant to the terms of the merger agreement, the board of directors of Cazador has unanimously approved a change of Cazador s jurisdiction of incorporation by discontinuing as an exempted company in the Cayman Islands and continuing and domesticating as a corporation incorporated under the laws of the State of Delaware, which we refer to as the Cazador domestication. To effect the Cazador domestication, Cazador will file a notice of de-registration with the Cayman Islands Registrar of Companies, together with the necessary accompanying documents, and file a certificate of incorporation and a certificate of corporate domestication with the Secretary of State of the State of Delaware, under which Cazador will be domesticated and continue as a Delaware corporation, at which time Cazador will change its name, in connection with the effectiveness of the merger, to Net Element International, Inc. We refer to Cazador following effectiveness of the Cazador domestication as NEI. On the effective date of the Cazador domestication, each currently issued and outstanding ordinary share, par value $0.0001 per share, of Cazador Cayman, or Cazador Ordinary Shares, will automatically convert by operation of law, on a one-for-one basis, into shares of common stock, par value $0.0001 per share, of NEI, or NEI Common Stock. Similarly, outstanding options, warrants and other rights to acquire Cazador Ordinary Shares will become options, warrants or rights to acquire the corresponding shares of NEI Common Stock. No other changes will be made to the terms of any outstanding options, warrants and other rights to acquire Cazador Ordinary Shares as a result of the Cazador domestication.

The Cazador domestication, together with the merger, is referred to as the business combination. Unless the context otherwise requires, in this joint proxy statement/prospectus, the term Cazador refers to Cazador Acquisition Corporation Ltd. as it currently exists under Cayman Islands law and as it will continue to exist under the Delaware General Corporation Law, or the DGCL, following the Cazador domestication. The term Cazador Cayman refers to Cazador prior to the Cazador domestication.

Prior to the effective time of the merger, each holder of outstanding securities of Net Element that are convertible into or exchangeable or exercisable for shares of common stock, par value $0.001 per share, of Net Element, or the Net Element Common Stock, will enter into conversion agreements, pursuant to which all such outstanding securities of Net Element will be either terminated or converted into or exchanged or exercised for shares of Net Element Common Stock (in the case of outstanding Net Element stock options and warrants that are exercised, on a cashless basis); provided that certain option holders that received their options in lieu of cash compensation will have the ability to elect to terminate their options in exchange for cash in the amount of such compensation.

Pursuant to the terms of the merger agreement, upon completion of the merger, each share of then-issued and outstanding Net Element Common Stock (other than shares held by Net Element as treasury stock or by any of its direct or indirect wholly-owned subsidiaries, which will be cancelled upon the effectiveness of the merger, and shares with respect to which appraisal rights, to the extent available under the DGCL, are properly exercised and not withdrawn) will be automatically cancelled and converted into the right to receive the number of shares of NEI Common Stock equal to the Exchange Ratio. The Exchange Ratio is 0.025 shares of NEI Common Stock per share of

Net Element Common Stock, which reflects a 256% premium over the last reported sale price of the Net Element Common Stock on the OTCQB electronic quotation system of $0.07 per share on August 31, 2012. The Exchange Ratio is subject to adjustment to reflect appropriately the effect of any stock split, reverse stock split, stock dividend, extraordinary cash dividends, reorganization, recapitalization, reclassification, combination, exchange of shares or other like change, although no such events are currently contemplated. However, the Exchange Ratio will not be adjusted to reflect any changes in the market prices of Cazador Ordinary Shares, NEI Common Stock or Net Element Common Stock. Notwithstanding the foregoing, to the extent a holder of Net Element Common Stock would receive fewer than 100 shares of NEI Common Stock as a result of the Exchange Ratio, Cazador shall have the right, exercisable in Cazador s sole and absolute discretion, to issue to any such holder an additional number of shares of NEI Common Stock so that such holder receives, in the aggregate, 100 shares of NEI Common Stock in connection with the merger. In addition, no fractional shares of NEI Common Stock will be issued in connection with the merger. Instead, Cazador will issue one share of NEI Common Stock to each holder that would otherwise be entitled to a fraction of a share of NEI Common Stock.

Immediately following the completion of the business combination (without taking into account any shares of NEI Common Stock held by Net Element shareholders prior to the completion of the business combination, and assuming cashless exercise of outstanding warrants and options of Net Element and that no holders of Public Cazador Ordinary Shares exercise their redemption rights), the former shareholders of Net Element are expected to own approximately 80.9% of the outstanding NEI Common Stock (or approximately 65.6% of the outstanding NEI Common Stock calculated on a fully diluted basis) and the current holders of Cazador Ordinary Shares are expected to own approximately 19.1% of the outstanding NEI Common Stock (or approximately 34.4% of the outstanding NEI Common Stock calculated on a fully diluted basis).

The Cazador Ordinary Shares are listed on The NASDAQ Capital Market and trade under the symbol CAZA. On August 31, 2012, the latest practicable date before the printing of this proxy statement/prospectus, the last reported sale price of the Cazador Ordinary Shares on The NASDAQ Capital Market was $9.96 per share. Cazador intends to apply to list the NEI Common Stock on The NASDAQ Capital Market under the symbol NETE. There can be no assurance that the NEI Common Stock will be listed on The NASDAQ Capital Market.

The Net Element Common Stock is quoted on the OTCQB electronic quotation system under the symbol NETE. On August 31, 2012, the latest practicable date before the printing of this proxy statement/ prospectus, the last reported sale price of the Net Element Common Stock on the OTCQB electronic quotation system was $0.07 per share.

Completion of the merger requires, among other things, that the holders of (i) a majority of the outstanding Cazador Ordinary Shares issued in Cazador s initial public offering and not held by Cazador s Sponsor, or the Public Cazador Ordinary Shares, and (ii) a majority of the outstanding shares of Net Element Common Stock vote in favor of the approval and adoption of the merger agreement. Completion of the Cazador domestication, which is a condition to close the merger, requires that the holders of at least two-thirds of the outstanding Cazador Ordinary Shares which attend and vote at a general meeting in favor of the approval of the Cazador domestication. To obtain these required approvals, Cazador will hold a special meeting of Cazador shareholders on September 28, 2012 and Net Element will hold a special meeting of Net Element shareholders on September 28, 2012.

Cazador Sub Holdings Ltd, including all of Cazador s directors and executive officers (which we refer to, collectively, as the Sponsor), has agreed to vote its Cazador Ordinary Shares in the same manner as holders of the majority of the Public Cazador Ordinary Shares in connection with the votes required to approve the business combination. As of August 31, 2012, the Sponsor beneficially owned and was entitled to vote approximately 20.0% of the total outstanding Cazador Ordinary Shares on that date.

Mike Zoi, Net Element s Chairman and Chief Executive Officer, owns, in combination with the holdings of entities that he controls, approximately 59.4% of the issued and outstanding Net Element Common Stock as of August 31, 2012 (67.2% assuming a cashless exercise of options and warrants Mr. Zoi owns which are currently exercisable), and therefore holds enough shares to approve and adopt the merger agreement without the vote of any other Net Element shareholder. Mr. Zoi intends to vote his shares FOR the approval and adoption of the merger agreement. Following consummation of the merger, Mr. Zoi will control approximately 54.3% of NEI s voting power if no holders of Public Cazador Ordinary Shares exercise their redemption rights described below (or approximately 58.7% of NEI s voting power if the maximum permissible number of holders of Public Cazador Ordinary Shares exercise their redemption rights whereby Cazador may proceed with the merger). As a result, Mr. Zoi will have the ability to exert significant influence over NEI s corporate

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affairs and to control the outcome of virtually all matters submitted to a vote of NEI s shareholders. Mr. Zoi s interests may conflict with or differ from the interests of NEI s other shareholders.

Cazador is offering each holder of Public Cazador Ordinary Shares the right to have such holder s shares redeemed into cash if such holder either (i) votes against the business combination and timely exercises such redemption right or (ii) votes in favor of the business combination but elects to exercise such shareholder s right to redeem. However, although an abstention or failure to vote on the business combination will have the same effect as a vote against the business combination, such abstention or failure to vote will not be sufficient to enable holders of Public Cazador Ordinary Shares to exercise their redemption rights. Cazador s Sponsor and its beneficial owners will not have shareholder redemption rights with respect to any Cazador Ordinary Shares owned by them, directly or indirectly, including Cazador Ordinary Shares purchased by them in Cazador s initial public offering or in the secondary market. The actual per-share redemption price will be equal to the aggregate amount then in the trust account, and including accrued interest, net of any interest income on the trust account balance required for Cazador to pay its tax obligations incurred and net of interest income of up to $2.0 million previously released to Cazador to fund its working capital requirements (calculated as of two business days prior to the consummation of the business combination), divided by the number of Public Cazador Ordinary Shares. As of August 31, 2012, the per-share redemption price would be approximately $10.036. There will be no redemption rights upon the consummation of the business combination with respect to outstanding Cazador warrants.

Each holder of Public Cazador Ordinary Shares may elect to redeem his, her or its Public Cazador Ordinary Shares irrespective of whether he, she or it votes for or against the business combination. Cazador will not complete the business combination if holders of Public Cazador Ordinary Shares, owning, in the aggregate, more than 49.9% of the Public Cazador Ordinary Shares, both vote against and exercise their shareholder redemption rights with respect to the business combination. Additionally, as per the terms of the merger agreement, the merger will not be consummated unless Cazador has at least $23.5 million of cash held in the trust account (after giving effect to payment of all holders of Public Cazador Ordinary Shares who exercise their redemption right but excluding payments to be made for transaction fees and related expenses and pay-off of related party debt). Holders of Public Cazador Ordinary Shares will be able to redeem their shares up to the business day immediately prior to the vote on the proposals to approve the business combination.

As set forth in Cazador s Second Amended and Restated Memorandum and Articles of Association, or the Cazador Cayman Charter, a holder of Public Cazador Ordinary Shares, together with any affiliate of his or any other person with whom he is acting in concert or as a partnership, syndicate or other group for the purpose of acquiring, holding or disposing of Cazador Cayman s securities, will be prohibited from exercising shareholder redemption rights with respect to more than 10% of the Public Cazador Ordinary Shares.

Cazador may enter into privately negotiated transactions to purchase shares of NEI Common Stock from its public shareholders using proceeds released from the trust account immediately following consummation of the transactions contemplated by the merger agreement.

CAZADOR S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOR OF THE PROPOSAL TO APPROVE AND ADOPT THE MERGER AGREEMENT.

CAZADOR S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOR OF THE PROPOSAL TO APPROVE THE CAZADOR DOMESTICATION.

NET ELEMENT S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOR OF THE PROPOSAL TO APPROVE AND ADOPT THE MERGER AGREEMENT.

Information about the special meetings, the transactions contemplated by the merger agreement and the other business to be considered by Cazador shareholders and Net Element shareholders is contained in this document and the documents incorporated by reference, which we urge you to read carefully. **In particular, see Risk Factors beginning on page 31**.

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Your vote is very important. Whether or not you plan to attend the special meeting of Cazador shareholders or the special meeting of Net Element shareholders, as applicable, please submit a proxy to vote your shares as soon as possible to make sure your shares are represented at the applicable special meeting. Your failure to vote will have the same effect as voting against the various proposals.

Sincerely, **/s/ Francesco Piovanetti** Francesco Piovanetti Chairman of the Board, Chief Executive Officer, President and Chief Financial Officer Cazador Acquisition Corporation Ltd.	Sincerely, **/s/ Mike Zoi** Mike Zoi Chief Executive Officer Net Element, Inc.

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Neither the Securities Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

The accompanying joint proxy statement/prospectus is dated September 4, 2012 and is first being mailed or otherwise delivered to Cazador shareholders and Net Element shareholders on or about September 5, 2012.

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CAZADOR ACQUISITION CORPORATION LTD.
BBVA Building, P1
254 Muñoz Rivera Avenue
San Juan, Puerto Rico 00918

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS to be held on September 28, 2012

To Our Shareholders:

A special meeting of shareholders of Cazador Acquisition Corporation Ltd. (Cazador) will be held at the offices of Reed Smith LLP located at 599 Lexington Avenue, New York, New York 10022 on September 28, 2012, at 10:00 a.m., Eastern time (the Cazador special meeting). The purposes of the Cazador special meeting are to vote on the following matters and to transact such other business that may properly come before the Cazador special meeting:

1. Approve and adopt the Agreement and Plan of Merger, dated as of June 12, 2012, between Cazador and Net Element, Inc. (Net Element), as it may be amended (the merger agreement), a copy of which is attached to the accompanying joint proxy statement/prospectus as Annex A. The board of directors of Cazador (the Cazador board) recommends a vote FOR this proposal.

2. If, and only if, the merger agreement is approved and adopted, approve the change of Cazador s jurisdiction of incorporation by discontinuing as an exempted company in the Cayman Islands and continuing and domesticating as a corporation incorporated under the laws of the State of Delaware (the Cazador domestication and with the merger contemplated by the merger agreement, the business combination). The Cazador board recommends a vote FOR this proposal.

3. Approve one or more adjournments of the Cazador special meeting (including, if necessary, to solicit additional proxies because there are not sufficient votes to approve and adopt the merger agreement and/or approve the Cazador domestication). The Cazador board recommends a vote FOR this proposal.

4. Transact any other business that may properly come before the Cazador special meeting.

The Cazador board has fixed August 27, 2012 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Cazador special meeting or one or more adjournments thereof. Only holders of record of ordinary shares, par value $0.0001 per share, of Cazador (Cazador Ordinary Shares) at the close of business on August 27, 2012 are entitled to notice of, and to vote at, the Cazador special meeting or one or more adjournments or postponements thereof.

CAZADOR IS OFFERING EACH HOLDER OF PUBLIC CAZADOR ORDINARY SHARES THE RIGHT TO HAVE SUCH HOLDER S SHARES REDEEMED INTO CASH IF SUCH HOLDER EITHER (I) VOTES AGAINST

THE BUSINESS COMBINATION AND TIMELY EXERCISES SUCH REDEMPTION RIGHT OR (II) VOTES IN FAVOR OF THE BUSINESS COMBINATION BUT ELECTS TO EXERCISE SUCH SHAREHOLDER S RIGHT TO REDEEM. HOWEVER, ALTHOUGH AN ABSTENTION OR FAILURE TO VOTE ON THE BUSINESS COMBINATION WILL HAVE THE SAME EFFECT AS A VOTE AGAINST THE BUSINESS COMBINATION, SUCH ABSTENTION OR FAILURE TO VOTE WILL NOT BE SUFFICIENT TO ENABLE HOLDERS OF PUBLIC CAZADOR ORDINARY SHARES TO EXERCISE THEIR REDEMPTION RIGHTS. CAZADOR SUB HOLDINGS LTD. (CAZADOR S SPONSOR) AND ITS BENEFICIAL OWNERS WILL NOT HAVE SHAREHOLDER REDEMPTION RIGHTS WITH RESPECT TO ANY CAZADOR ORDINARY SHARES OWNED BY THEM, DIRECTLY OR INDIRECTLY, INCLUDING CAZADOR ORDINARY SHARES PURCHASED BY THEM IN CAZADOR S INITIAL PUBLIC OFFERING OR IN THE SECONDARY MARKET. THE ACTUAL PER-SHARE REDEMPTION PRICE WILL BE EQUAL TO THE AGGREGATE AMOUNT THEN IN THE TRUST ACCOUNT, AND INCLUDING ACCRUED INTEREST, NET OF ANY INTEREST INCOME ON THE TRUST ACCOUNT BALANCE REQUIRED FOR CAZADOR TO PAY ITS TAX OBLIGATIONS INCURRED AND NET OF INTEREST INCOME OF UP TO $2.0 MILLION PREVIOUSLY RELEASED TO CAZADOR TO FUND ITS WORKING CAPITAL REQUIREMENTS (CALCULATED AS OF TWO BUSINESS DAYS PRIOR TO THE CONSUMMATION OF THE BUSINESS COMBINATION),

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DIVIDED BY THE NUMBER OF PUBLIC CAZADOR ORDINARY SHARES. AS OF AUGUST 31, 2012, THE PER-SHARE REDEMPTION PRICE WOULD BE APPROXIMATELY $10.036. THERE WILL BE NO REDEMPTION RIGHTS UPON THE CONSUMMATION OF THE MERGER AGREEMENT WITH RESPECT TO OUTSTANDING CAZADOR WARRANTS.

Cazador and Net Element will consummate the merger contemplated by the merger agreement only if, among other conditions, the holders of (i) a majority of the outstanding Cazador Ordinary Shares issued in Cazador s initial public offering and not held by Cazador s Sponsor (Public Cazador Ordinary Shares) and (ii) a majority of the outstanding shares of common stock, par value $0.001 per share of Net Element (Net Element Common Stock) vote in favor of the approval and adoption of the merger agreement. Cazador will effect the Cazador domestication (as described in the accompanying joint proxy statement/prospectus), which is a condition to close the merger, only if the holders of at least two-thirds of the outstanding Cazador Ordinary Shares which attend and vote at the Cazador special meeting in favor of the approval of the Cazador domestication.

Cazador s Sponsor has agreed to vote its Cazador Ordinary Shares in the same manner as holders of the majority of the Public Cazador Ordinary Shares in connection with the votes required to approve the business combination. As of August 31, 2012, the Sponsor beneficially owned and was entitled to vote approximately 20.0% of the total outstanding Cazador Ordinary Shares on that date.

Mike Zoi, Net Element s Chairman and Chief Executive Officer, owns, in combination with the holdings of entities that he controls, approximately 59.4% of the issued and outstanding Net Element Common Stock as of August 31, 2012 (67.2% assuming a cashless exercise of options and warrants Mr. Zoi owns which are currently exercisable), and therefore holds enough shares to approve and adopt the merger agreement without the vote of any other Net Element shareholder. Mr. Zoi intends to vote his shares FOR the approval and adoption of the merger agreement. Following consummation of the merger, Mr. Zoi will control approximately 54.3% of NEI s voting power if no holders of Public Cazador Ordinary Shares exercise their redemption rights described below (or approximately 58.7% of NEI s voting power if the maximum permissible number of holders of Public Cazador Ordinary Shares exercise their redemption rights whereby Cazador may proceed with the merger). As a result, Mr. Zoi will have the ability to exert significant influence over NEI s corporate affairs and to control the outcome of virtually all matters submitted to a vote of NEI s shareholders. Mr. Zoi s interests may conflict with or differ from the interests of NEI s other shareholders.

Each holder of Public Cazador Ordinary Shares may elect to redeem his, her or its Public Cazador Ordinary Shares irrespective of whether he, she or it votes for or against the business combination. Cazador will not complete the business combination if holders of Public Cazador Ordinary Shares, owning, in the aggregate, more than 49.9% of the Public Cazador Ordinary Shares, both vote against and exercise their shareholder redemption rights with respect to the business combination. Additionally, as per the terms of the merger agreement, the merger will not be consummated unless Cazador has at least $23.5 million of cash held in the trust account (after giving effect to payment of all holders of Public Cazador Ordinary Shares who exercise their redemption right but excluding payments to be made for transaction fees and related expenses and pay-off of related party debt). Holders of Public Cazador Ordinary Shares will be able to redeem their shares up to the business day immediately prior to the vote on the proposals to approve the business combination.

As set forth in Cazador s Second Amended and Restated Memorandum and Articles of Association, a holder of Public Cazador Ordinary Shares, together with any affiliate of his or any other person with whom he is acting in concert or as a partnership, syndicate or other group for the purpose of acquiring, holding or disposing of Cazador Cayman s securities, will be prohibited from exercising shareholder redemption rights with respect to more than 10% of the Public Cazador Ordinary Shares.

Cazador may enter into privately negotiated transactions to purchase shares from its public shareholders using proceeds released from the trust account immediately following consummation of the transactions contemplated by the merger agreement.

For more information about the proposals and the Cazador special meeting, please review carefully the accompanying joint proxy statement/prospectus.

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Your vote is important. Whether or not you expect to attend the Cazador special meeting in person, please submit a proxy by telephone or over the internet as instructed in these materials, or complete, date, sign and return the enclosed proxy card, as promptly as possible in order to ensure that we receive your proxy with respect to your Cazador Ordinary Shares. Instructions are shown on the enclosed proxy card and a return envelope (postage pre-paid if mailed in the United States) is enclosed for your convenience. If your Cazador Ordinary Shares are held in a stock brokerage account or by a bank or other nominee, please follow the instructions that you receive from your broker, bank or other nominee to vote your shares.

If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the approval and adoption of the merger agreement, in favor of the Cazador domestication and in favor of the proposal to adjourn the meeting if necessary to solicit additional proxies. If you fail to return your proxy card or fail to submit your proxy by telephone or over the internet, or fail to instruct your broker how to vote, and do not attend the Cazador special meeting in person, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the Cazador special meeting and, if a quorum is present, will have the same effect as a vote against the approval and adoption of the merger agreement. If you are a shareholder of record and you attend the Cazador special meeting and wish to vote in person, you may withdraw your proxy and vote in person.

By Order of the Board of Directors,

Secretary

San Juan, Puerto Rico
September 4, 2012

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NET ELEMENT, INC.
1450 S. Miami Avenue
Miami, Florida 33130

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS to be held on September 28, 2012

To Our Shareholders:

A special meeting of shareholders of Net Element, Inc. (Net Element) will be held at the offices of Reed Smith LLP located at 599 Lexington Avenue, New York, New York 10022 on September 28, 2012, at 11:00 a.m., Eastern time (the Net Element special meeting). The purposes of the Net Element special meeting are to vote on the following matters and to transact such other business that may properly come before the Net Element special meeting:

1. Approve and adopt the Agreement and Plan of Merger, dated as of June 12, 2012, between Cazador Acquisition Corporation Ltd. and Net Element, as it may be amended (the merger agreement), a copy of which is attached to the accompanying joint proxy statement/prospectus as Annex A. The board of directors of Net Element (the Net Element board) recommends a vote FOR this proposal.

2. Approve one or more adjournments of the Net Element special meeting. The Net Element board recommends a vote FOR this proposal.

3. Transact such other business that may properly come before the Net Element special meeting.

The Net Element board has fixed August 27, 2012 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Net Element special meeting or one or more adjournments thereof. Only holders of record of ordinary shares, par value $0.0001 per share, of Net Element (Net Element Common Stock) at the close of business on August 27, 2012 are entitled to notice of, and to vote at, the Net Element special meeting or one or more adjournments or postponements thereof.

Cazador and Net Element will consummate the merger contemplated by the merger agreement only if, among other conditions, the holders of (i) a majority of the outstanding ordinary shares, par value $0.0001 per share, of Cazador (Cazador Ordinary Shares) issued in Cazador s initial public offering and not held by Cazador Sub Holdings Ltd. (Cazador s Sponsor) (Public Cazador Ordinary Shares) and (ii) a majority of the outstanding shares of Net Element Common Stock vote in favor of the approval and adoption of the merger agreement. Cazador will effect the Cazador domestication (as described in the accompanying joint proxy statement/prospectus), which is a condition to close the merger, only if the holders of at least two-thirds of the outstanding Cazador Ordinary Shares which attend and vote at the Cazador special meeting in favor of the approval of the Cazador domestication.

Cazador s Sponsor has agreed to vote its Cazador Ordinary Shares in the same manner as holders of the majority of the Public Cazador Ordinary Shares in connection with the votes required to approve the business combination. As of

August 31, 2012, the Sponsor beneficially owned and was entitled to vote approximately 20.0% of the total outstanding Cazador Ordinary Shares on that date.

Mike Zoi, Net Element s Chairman and Chief Executive Officer, owns, in combination with the holdings of entities that he controls, approximately 59.4% of the issued and outstanding Net Element Common Stock as of August 31, 2012 (67.2% assuming a cashless exercise of options and warrants Mr. Zoi owns which are currently exercisable), and therefore holds enough shares to approve and adopt the merger agreement without the vote of any other Net Element shareholder. Mr. Zoi intends to vote his shares FOR the approval and adoption of the merger agreement. Following consummation of the merger, Mr. Zoi will control approximately 54.3% of NEI s voting power if no holders of Public Cazador Ordinary Shares exercise any redemption rights afforded to them (or approximately 58.7% of NEI s voting power if the maximum permissible number of holders of Public Cazador Ordinary Shares exercise their redemption rights whereby Cazador may proceed with the merger). As a result, Mr. Zoi will have the ability to exert significant influence over NEI s corporate affairs and to control the outcome of virtually all matters submitted to a vote of NEI s shareholders. Mr. Zoi s interests may conflict with or differ from the interests of NEI s other shareholders.

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For more information about the proposals and the Net Element special meeting, please review carefully the accompanying joint proxy statement/prospectus.

Your vote is important. Whether or not you expect to attend the Net Element special meeting in person, please submit a proxy by telephone or over the internet as instructed in these materials, or complete, date, sign and return the enclosed proxy card, as promptly as possible in order to ensure that we receive your proxy with respect to your shares of Net Element Common Stock. Instructions are shown on the enclosed proxy card and a return envelope (postage pre-paid if mailed in the United States) is enclosed for your convenience. If your shares of Net Element Common Stock are held in a stock brokerage account or by a bank or other nominee, please follow the instructions that you receive from your broker, bank or other nominee to vote your shares.

If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the approval and adoption of the merger agreement and in favor of the proposal to adjourn the meeting if necessary to solicit additional proxies. If you fail to return your proxy card or fail to submit your proxy by telephone or over the internet, or fail to instruct your broker how to vote, and do not attend the Net Element special meeting in person, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the Net Element special meeting and, if a quorum is present, will have the same effect as a vote against the approval and adoption of the merger agreement. If you are a shareholder of record and you attend the Net Element special meeting and wish to vote in person, you may withdraw your proxy and vote in person.

Please do not send documents or certificates representing your ownership of Net Element Common Stock at this time. If the transactions contemplated by the merger agreement are consummated, we will notify you of the procedures for exchanging your shares of Net Element Common Stock.

By Order of the Board of Directors,

Secretary

Miami, Florida
September 4, 2012

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REFERENCES TO ADDITIONAL INFORMATION

The accompanying joint proxy statement/prospectus incorporates important business and financial information about Cazador and Net Element from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available for you to review at the Securities and Exchange Commission s, or SEC s, public reference room located at 100 F Street, N.E., Room 1580, Washington, DC 20549, and through the SEC s website, www.sec.gov. You can also obtain those documents incorporated by reference in this joint proxy statement/prospectus by requesting them in writing, by telephone or by email from the appropriate company at the following addresses, telephone numbers and email addresses:

If you are a Cazador shareholder: MORROW & CO., LLC 470 West Avenue Stamford, CT 06902 Telephone: (800) 662-5200	If you are a Net Element shareholder: NET ELEMENT, INC. 1450 S. Miami Avenue Miami, Florida 33130 (305) 507-8808 Attention: Jonathan New Email: jn@netelement.com

In addition, if you have questions about the transactions described herein or the special meetings, or if you need to obtain copies of the accompanying joint proxy statement/prospectus, proxy cards, election forms or other documents incorporated by reference in the joint proxy statement/prospectus, you may contact the appropriate contact listed above. You will not be charged for any of the documents you request.

If you would like to request documents, please do so by September 20, 2012,
in order to receive them before the applicable special meeting.

For a more detailed description of the information incorporated by reference in the accompanying joint proxy statement/prospectus and how you may obtain it, see Where You Can Find More Information beginning on page 207 of the accompanying joint proxy statement/prospectus.

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FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus and the documents that are incorporated into this joint proxy statement/prospectus by reference may contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are forward-looking statements. You can typically identify forward-looking statements by the use of forward-looking words, such as may, will, could, project, believe, an expect, estimate, continue, potential, plan, forecast and other similar words. These include, but are not lim statements relating to the synergies and the benefits that we expect to achieve in the transactions discussed herein, including future financial and operating results, the combined company s plans, objectives, expectations and intentions and other statements that are not historical facts. Those statements represent the intentions, plans, expectations, assumptions and beliefs of Cazador and Net Element about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside the control of Cazador and Net Element, and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In addition to the risk factors described under Risk Factors beginning on page 31, those factors include:

- possible delays in closing the business combination whether due to the inability to obtain shareholder or regulatory approval, Cazador s not having at least $23.5 million of cash upon consummation of the merger held in the trust account, or otherwise;
- the ability to integrate Cazador s or Net Element s businesses and operations;
- the benefits of and the acquisition of Cazador and Net Element, including the prospects of the combined businesses, anticipated synergies and cost savings;
- anticipated growth and growth strategies;
- the need for additional capital and the availability of financing;
- the combined company s ability to successfully manage relationships with customers, distributors and other important relationships;
- the combined company s ability to integrate the management team and employees;
- the loss of key personnel or expenditure of a greater amount of resources attracting, retaining and motivating key personnel than in the past;
- the compatibility of business cultures;
- technological changes;
- pricing and availability of products and services;
- demand for the combined company s products and services;
- competition;
- the deterioration of general economic conditions, either nationally or in the local markets in which we operate;
- legislative or regulatory changes that may adversely affect the combined company s business;
- costs related to the business combination that may reduce Cazador s working capital;
- the inability of Cazador to list the NEI Common Stock on The NASDAQ Capital Market; and
- Cazador s dissolution and liquidation as a result of a failure to close the business combination.

The forward-looking statements are based on current expectations about future events. Although Cazador believes that the expectations reflected in the forward-looking statements are reasonable, these expectations may not be achieved. Cazador is under no duty to update any of the forward-looking statements after the date of this joint proxy statement/prospectus to conform those statements to actual results. In evaluating these statements, you should consider various factors, including the risks outlined in the section entitled Risk Factors beginning on page 31.

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FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	5,005	1,587
Principal repayments of long-term debt	(4,162)	(812)
Dividends paid	(945)	(713)
Purchases of treasury stock	(84)	(107)
Repayments of short-term borrowings, net	(70)	(130)
Proceeds from exercise of stock options	16	44
Other	(18)	(5)
Net cash used for financing activities	(258)	(136)
Effect of exchange rate changes on cash and cash equivalents	(58)	21
Net (decrease) increase in cash and cash equivalents	(151)	249
Cash and cash equivalents at beginning of period	943	1,163
Cash and cash equivalents at end of period	$ 792	$ 1,412

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

CARNIVAL CORPORATION & PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1   Basis of Presentation

Carnival Corporation is incorporated in Panama, and Carnival plc is incorporated in England and Wales. Carnival Corporation and Carnival plc operate a dual listed company (DLC), whereby the businesses of Carnival Corporation and Carnival plc are combined through a number of contracts and through provisions in Carnival Corporation s articles of incorporation and by-laws and Carnival plc s memorandum of association and articles of association. The two companies operate as if they are a single economic enterprise, but each has retained its separate legal identity.

The accompanying consolidated financial statements include the accounts of Carnival Corporation and Carnival plc and their respective subsidiaries. Together with their consolidated subsidiaries they are referred to collectively in these consolidated financial statements and elsewhere in this joint Quarterly Report on Form 10-Q as Carnival Corporation & plc, our, us, and we.

The accompanying consolidated balance sheets at August 31, 2008 and 2007, the consolidated statements of operations for the three and nine months ended August 31, 2008 and 2007 and the consolidated statements of cash flows for the nine months ended August 31, 2008 and 2007 are unaudited and, in the opinion of our management, contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation. Our interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in the Carnival Corporation & plc 2007 joint Annual Report on Form 10-K. Our operations are seasonal and results for interim periods are not necessarily indicative of the results for the entire year.

NOTE 2   Debt

At August 31, 2008, unsecured short-term borrowings consisted of euro and U.S. dollar-denominated bank loans of $57 million and $6 million, respectively, with an aggregate weighted-average interest rate of 4.5%.

In April 2008, we amended the terms of Carnival Corporation s 1.75% convertible notes (the 1.75% Notes) to give the holders another put option, which, if exercised, requires us to repurchase all or a portion of the outstanding 1.75% Notes on October 29, 2009 at their accreted value, and suspends our right to redeem the 1.75% Notes until that date. The $8 million estimated fair value of this new put option is being amortized to interest expense over its eighteen-month term using the straight-line method, which approximates the effective interest rate method. In addition, we amended the terms of the 1.75% Notes to include an additional semi-annual cash interest payment of 0.5% per annum through October 29, 2009 and certain other covenants and agreements for the benefit of the holders of this debt. On April 30, 2008, as a result of certain holders exercising their April 29, 2008 put option, we repurchased $302 million of the outstanding 1.75% Notes at their accreted value, plus accrued interest, leaving $273 million of the 1.75% Notes outstanding at their accreted value. At August 31, 2008, the 1.75% Notes have a 4.6% yield through October 29, 2009.

At August 31, 2008, our 1.75% Notes and 2% convertible notes (2% Notes) were both classified as long-term liabilities, since the next time we may be required to redeem these notes at the option of the holders is on October 29, 2009 and April 15, 2011, respectively. In addition, the Carnival Corporation common stock trigger prices of $39.92 to $40.67 for the Carnival Corporation zero-coupon convertible notes and $43.05 for the 2% Notes, which are required to be met in order to allow the conversion of these notes, were not met for the defined duration of time in the first three quarters of fiscal 2008 and, accordingly, these notes were not convertible during the second and third quarters of fiscal 2008 and are not convertible during the fourth quarter of fiscal 2008. The 1.75% Notes Carnival Corporation common stock trigger price, which is currently $64.10, has not been met since their issuance.

In March 2008, our Ibero Cruises brand entered into two 364-day loan facilities aggregating $161 million at August 31, 2008, which are guaranteed by Carnival Corporation and Carnival plc. This Ibero Cruises debt, along with another $584 million of other short-term debt, has been classified as long-term debt at August 31, 2008, as we have the intent and ability to refinance this debt on a long-term basis.

In March 2008, we also borrowed $523 million under an unsecured term loan facility, the proceeds of which were effectively used to pay a portion of P&O UK s *Ventura* purchase price. This facility bears interest at 4.38% and is repayable in semi-annual installments through 2020.

In June 2008, we borrowed $500 million under a seven-year term loan facility, which was used in part to finance a portion of the purchase price of Holland America Line s *Eurodam*. This facility has a fixed interest rate of 4.41%, although the lenders have a one-time option to switch the borrowing rate to LIBOR plus 0.55% on the loan s third anniversary. Also, in June 2008, we borrowed $443 million under an unsecured term loan facility, which proceeds were used to pay a portion of *Carnival Splendor s* purchase price. This facility has a fixed interest rate of 4.21%, and is repayable in semi-annual installments through 2020.

In June 2008, we obtained an unsecured term loan financing facility, bearing a fixed interest rate of 4.21%, which provides us with the ability to borrow up to $353 million for a portion of *Ruby Princess* purchase price. This ship is expected to be delivered in October 2008. This facility is repayable semi-annually over a 12 year period.

NOTE 3 Contingencies

Litigation

The Office of the Attorney General of Florida (Attorney General) is conducting an investigation to determine whether there is or has been a violation of Florida antitrust laws in connection with the setting by us and other unaffiliated cruise lines of our respective fuel supplements. We are providing our full cooperation to the Attorney General s office. At this time, we are unable to determine the ultimate outcome of these reviews on our financial statements.

In January 2006, a lawsuit was filed against Carnival Corporation and its subsidiaries and affiliates, and other unaffiliated cruise lines in New York on behalf of a purported class of owners of intellectual property rights to musical plays and other works performed in the U.S. The plaintiffs claim infringement of copyrights to Broadway, off Broadway and other plays. The suit seeks payment of (i) damages, (ii) disgorgement of alleged profits and (iii) an injunction against future infringement. In the event that an award is given in favor of the plaintiffs, the amount of damages, if any, which Carnival Corporation and its subsidiaries and affiliates would have to pay is not currently determinable. The ultimate outcome of this matter cannot be determined at this time. However, we intend to vigorously defend this matter.

In the normal course of our business, various other claims and lawsuits have been filed or are pending against us. Most of these claims and lawsuits are covered by insurance and, accordingly, the maximum amount of our liability, net of any insurance recoverables, is typically limited to our self-insurance retention levels. However, the ultimate outcome of these claims and lawsuits which are not covered by insurance cannot be determined at this time.

Contingent Obligations   Lease Out and Lease Back Type Transactions

At August 31, 2008, Carnival Corporation had estimated contingent obligations totaling $1.06 billion, excluding termination payments as discussed below, to participants in lease out and lease back type transactions for three of its ships. At the inception of these leases, the aggregate of the net present value of these contingent obligations was paid by Carnival Corporation to a group of major financial institutions, including American International Group Inc. (AIG), who agreed to act as payment undertakers and directly pay these obligations. Accordingly, these obligations are considered extinguished, and neither the funds nor the contingent obligations have been included on our balance sheets.

In the event that Carnival Corporation were to default on its obligations and assuming performance by all other participants, we estimate that we would, as of August 31, 2008, be responsible for a termination payment of approximately $200 million. Between 2017 and 2022, we have the right to exercise options that would terminate these three lease transactions at no cost to us.

In certain cases, if the credit ratings of the financial institutions who are directly paying the contingent obligations fall below AA- then Carnival Corporation will be required to replace these financial institutions with other financial institutions whose credit ratings are at least AA or meet other specified credit requirements. In such circumstances we would incur additional costs, although we estimate that they would be immaterial to our financial statements. Other than AIG, as discussed below, all of these financial institutions have credit ratings of AA/AAA. If Carnival Corporation s credit rating, which is A-, falls below BBB, it would be required to provide a standby letter of credit for $70 million, or alternatively provide mortgages for this aggregate amount on two of these ships.

In September 2008, the credit ratings of AIG and its subsidiaries involved with two of these transactions were downgraded from AA- to A-. As a result of this downgrade, AIG is required to pledge collateral to support their payment obligations in amounts that will be determined in accordance with the terms of the payment undertaking agreements. Based on the recently announced $85 billion revolving credit facility from the Federal Reserve Bank of New York to AIG, we believe that it is likely that AIG will continue to perform its obligations under the payment undertaking agreements. In the unlikely event that AIG does not pledge collateral as required, the estimated amount of our loss will range from zero to approximately $170 million, depending on numerous factors.

Contingent Obligations   Other

Some of the debt agreements that we enter into include indemnification provisions that obligate us to make payments to the counterparty if certain events occur. These contingencies generally relate to changes in taxes, changes in laws that increase lender capital costs and other similar costs. The indemnification clauses are often standard contractual terms and were entered into in the normal course of business. There are no stated or notional amounts included in the indemnification clauses and we are not able to estimate the maximum potential amount of future payments, if any, under these indemnification clauses. We have not been required to make any material payments under such indemnification clauses in the past and, under current circumstances, we do not believe a request for material future indemnification payments is probable.

NOTE 4 Comprehensive Income

Comprehensive income was as follows (in millions):

	Three Months Ended August 31,		Nine Months , Ended August 31,	
	2008	2007	2008	2007
Net income	$ 1,333	$ 1,377	$ 1,959	$ 2,050
Items included in accumulated other comprehensive income				
Foreign currency translation adjustment	(588)	114	(578)	227
Changes related to cash flow derivative hedges	(29)	(1)	(27)	(3)
Pension liability adjustment	(17)		(17)	
Unrealized loss on marketable security	(6)		(8)	
Total comprehensive income	$ 693	$ 1,490	$ 1,329	$ 2,274

NOTE 5 Segment Information

Our cruise segment includes all of our cruise brands, which have been aggregated as a single reportable segment based on the similarity of their economic and other characteristics, including the products and services they provide. Substantially all of our other segment represents the hotel, tour and transportation operations of Holland America Tours and Princess Tours.

Selected segment information for our cruise and other segments was as follows (in millions):

	Three Months Ended August 31,				
	Revenues	Operating expenses	Selling and admin-istrative	Depreciation and amortization	Operating income
2008					
Cruise	$ 4,522	$ 2,440	$ 364	$ 314	$ 1,404
Other	399	301	8	9	81
Intersegment elimination	(107)	(107)			
	$ 4,814	$ 2,634	$ 372	$ 323	$ 1,485
2007					
Cruise	$ 4,022	$ 1,988	$ 355	$ 271	$ 1,408
Other	399	301	8	8	82
Intersegment elimination	(100)	(100)			
	$ 4,321	$ 2,189	$ 363	$ 279	$ 1,490

	Nine months ended August 31,				
	Revenues	Operating expenses	Selling and admin-istrative	Depreciation and amortization	Operating income
2008					
Cruise	$ 10,993	$ 6,651	$ 1,197	$ 909	$ 2,236
Other	478	383	25	27	43
Intersegment elimination	(127)	(127)			
	$ 11,344	$ 6,907	$ 1,222	$ 936	$ 2,279
2007					
Cruise	$ 9,557	$ 5,382	$ 1,129	$ 785	$ 2,261
Other	468	377	24	26	41
Intersegment elimination	(116)	(116)			
	$ 9,909	$ 5,643	$ 1,153	$ 811	$ 2,302

NOTE 6 Earnings Per Share

Our basic and diluted earnings per share were computed as follows (in millions, except per share data):

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2008	2007	2008	2007
Net income	$ 1,333	$ 1,377	$ 1,959	$ 2,050
Interest on dilutive convertible notes	9	9	26	26
Net income for diluted earnings per share	$ 1,342	$ 1,386	$ 1,985	$ 2,076
Weighted-average common and ordinary shares outstanding	786	794	786	794
Dilutive effect of convertible notes	27	33	30	33
Dilutive effect of stock plans	1	2	2	2
Diluted weighted-average shares outstanding	814	829	818	829
Basic earnings per share	$ 1.70	$ 1.73	$ 2.49	$ 2.58
Diluted earnings per share	$ 1.65	$ 1.67	$ 2.43	$ 2.51

Options to purchase 12.0 million (8.4 million in 2007) and 11.9 million (6.8 million in 2007) shares for the three and nine months ended August 31, 2008, respectively, were excluded from our diluted earnings per share computations since the effect of including them was anti-dilutive.

NOTE 7 Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 clarifies, among other things, the accounting for uncertain income tax positions by prescribing a minimum probability threshold that a tax position must meet before a financial statement income tax benefit is recognized. The minimum threshold is defined as a tax position that, based solely on its technical merits, is more likely than not to be sustained upon examination by the relevant taxing authority. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate resolution. FIN 48 must be applied to all existing tax positions upon adoption. The cumulative effect of applying FIN 48 at adoption is required to be reported separately as an adjustment to the opening balance of retained earnings in the year of adoption. Our adoption of FIN 48 on December 1, 2007 did not have a material impact on our opening retained earnings. In addition, based on all known facts and circumstances and current tax law, we believe that the total amount of our uncertain income tax position liabilities and related accrued interest are not material to our August 31, 2008 financial position.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. In February 2008, the FASB released a FASB Staff Position, which delayed our effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis until December 1, 2008. SFAS No. 157 was first effective for us on December 1, 2007. The adoption of SFAS No. 157 on our financial assets and liabilities, which are principally comprised of cash equivalents and derivatives, did not have a significant impact on their fair value measurements or require expanded disclosures since the fair value of those financial assets and liabilities outstanding during the three and nine months ended August 31, 2008 were not material.

In May 2008, the FASB issued Financial Accounting Standards Board Staff Position Accounting Principles Board 14-1 Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (APB 14-1). APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash, or other assets, on conversion to separately account for the debt and equity components in a manner that reflects the issuer's non-convertible debt borrowing rate. APB 14-1 will be adopted by us in the first quarter of fiscal 2010 on a retrospective basis. We believe that the impact of adopting APB 14-1 will not have a material effect on previously reported diluted earnings per share, however, our net income will be reduced. We are still in the process of determining the amount of such reductions.

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

Cautionary Note Concerning Factors That May Affect Future Results

Some of the statements contained in this Management s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this joint Quarterly Report on Form 10-Q are forward-looking statements that involve risks, uncertainties and assumptions with respect to us, including some statements concerning future results, outlook, plans, goals and other events which have not yet occurred. These statements are intended to qualify for the safe harbors from liability provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We have tried, whenever possible, to identify these statements by using words like will, may, believe, expect, anticipa forecast, future, intend, plan, and estimate and similar expressions.

Because forward-looking statements involve risks and uncertainties, there are many factors that could cause our actual results, performance or achievements to differ materially from those expressed or implied in this joint Quarterly Report on Form 10-Q. Forward-looking statements include those statements which may impact the forecasting of our earnings per share, net revenue yields, booking levels, pricing, occupancy, operating, financing and/or tax costs, fuel costs, costs per available lower berth day (ALBD), estimates of ship depreciable lives and residual values, outlook or business prospects. These factors include, but are not limited to, the following:

- general economic and business conditions, including fuel price increases, and perceptions of these conditions that may adversely impact the levels of our potential vacationers discretionary income and their confidence in the U.S. and other economies and, consequently reduce our cruise brands net revenue yields;
- the international political climate, armed conflicts and terrorist attacks and threats thereof, and other world events affecting the safety and security of travel, could adversely affect the demand for our cruises;
- conditions in the cruise and land-based vacation industries, including competition from other cruise ship operators and providers of other vacation alternatives and over capacity offered by cruise ship and land-based vacation alternatives;
- accidents, adverse weather conditions or natural disasters, such as hurricanes and earthquakes and other incidents (including machinery and equipment failures or improper operation thereof) which could cause the alteration of itineraries or cancellation of a cruise or series of cruises or tours, and the impact of the spread of contagious diseases, all of which could affect the health, safety, security and/or vacation satisfaction of our guests;
- adverse publicity concerning the cruise industry in general, or us in particular, could impact the demand for our cruises;
- lack of acceptance of new itineraries, products and services by our guests;
- changing consumer preferences, which may, among other things, adversely impact the demand for cruises;
- the impact of changes in and compliance with laws and regulations relating to environmental, health, safety, security, tax and other regulatory regimes under which we operate;
- the impact of increased global fuel demand and pricing, a weaker U.S. dollar, fuel supply disruptions and/or other events on our fuel and other expenses, liquidity and credit ratings;
- the impact on our future fuel expenses of implementing proposed International Maritime Organization regulations which, if approved, would require the use of higher priced low sulfur fuels in certain cruising areas, which could adversely impact the cruise industry;
- the impact of changes in operating and financing costs, including changes in foreign currency exchange rates and interest rates and food, insurance, payroll and security costs;
- our ability to implement our shipbuilding programs and ship refurbishments and repairs, including purchasing ships for our North American cruise brands from European shipyards on terms that are favorable or consistent with our expectations;

our ability to implement our brand strategies and to continue to operate and expand our business internationally;
whether our future operating cash flow will be sufficient to fund future obligations, and whether we will be able to obtain financing, if necessary, in sufficient amounts and on terms that are favorable or consistent with our expectations;
our ability to attract and retain qualified shipboard crew and maintain good relations with employee unions;
continuing financial viability of our travel agent distribution system and air service providers;
availability and pricing of air travel services, especially as a result of the significant increases in air travel costs, and its impact on the demand for our cruises;
the impact of changes in the global credit markets on our counterparty credit risks, including those under our derivative instruments, contingent obligations, insurance contracts and new ship progress payment guarantees;
the impact of our self-insuring against various risks or our inability to obtain insurance for certain risks at reasonable rates;
disruptions and other damages to our information technology networks;
lack of continued availability of attractive port destinations; and
risks associated with the DLC structure, including the uncertainty of its tax status.

Forward-looking statements should not be relied upon as a prediction of actual results. Subject to any continuing obligations under applicable law or any relevant listing rules, we expressly disclaim any obligation to disseminate, after the date of this joint Quarterly Report on Form 10-Q, any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based.

Outlook for Fourth Quarter of 2008

As of September 18, 2008, we said that we expected our diluted earnings per share for the fourth quarter of 2008 would be in the range of $0.36 to $0.38. Our guidance was based on the then current spot prices for fuel of $598 per metric ton for the 2008 fourth quarter. In addition, this guidance was also based on currency exchange rates of $1.42 to the euro and $1.80 to sterling.

The year-over-year percentage increase in our ALBD capacity for the fourth quarter of 2008 and fiscal years ended 2009, 2010, 2011 and 2012, resulting primarily from new ships entering service, is currently expected to be 8.5%, 5.8%, 7.6%, 5.8% and 3.7%, respectively. The above percentages exclude any other future ship orders, acquisitions, retirements or sales, however the fourth quarter does include the withdrawal from service of the *Queen Elizabeth 2* (*QE2*) in November 2008.

Seasonality and Critical Accounting Estimates

Our revenues from the sale of passenger tickets are seasonal. Historically, demand for cruises has been greatest during our third fiscal quarter, which includes the Northern Hemisphere summer months, and holidays. This higher demand during the third quarter and holidays results in higher net revenue yields and, accordingly, the largest share of our net income is earned during these periods. The seasonality of our results is increased due to ships being taken out of service for maintenance, which we typically schedule during non-peak demand periods. In addition, substantially all of Holland America Tours and Princess Tours revenues and net income are generated from May through September in conjunction with the Alaska cruise season.

For a discussion of our critical accounting estimates, see Management s Discussion and Analysis of Financial Condition and Results of Operations, which is included in Carnival Corporation & plc s 2007 joint Annual Report on Form 10-K.

Selected Cruise Information

Selected cruise information was as follows:

	Three Months Ended August 31, 2008	Three Months Ended August 31, 2007	Nine Months Ended August 31, 2008	Nine Months Ended August 31, 2007
Passengers carried (in thousands)	2,322	2,203	6,218	5,785
Occupancy percentage (a)	110.9%	111.1%	106.8%	106.4%
Fuel consumption (metric tons in thousands)	795	765	2,383	2,251
Fuel cost per metric ton (b)	$ 666	$ 376	$ 565	$ 337
Currency				
Euro	$ 1.54: 1	$ 1.36: 1	$ 1.53: 1	$ 1.34: 1
Sterling	$ 1.95:£1	$ 2.01:£1	$ 1.97:£1	$ 1.98:£1

(a) In accordance with cruise industry practice, occupancy is calculated using a denominator of two passengers per cabin even though some cabins can accommodate three or more passengers. Percentages in excess of 100% indicate that on average more than two passengers occupied some cabins.

(b) Fuel cost per metric ton is calculated by dividing the cost of our fuel by the number of metric tons consumed.

Three Months Ended August 31, 2008 (2008) Compared to the Three Months Ended August 31, 2007 (2007)

Revenues

Our total revenues increased $493 million, or 11.4%, from $4.3 billion in 2007 to $4.8 billion in 2008. Of this increase, $353 million was capacity driven by our 8.8% increase in ALBDs (see Key Performance Non-GAAP Financial Indicators) and the remaining increase of $140 million was primarily due to increases in cruise ticket pricing, including the implementation of our fuel supplements, and the impact of the weaker U.S. dollar against the euro compared to 2007. Our capacity increased 1.5% for our North American cruise brands and 24.3% for our European cruise brands in 2008 compared to 2007, as we continue to implement our planned strategy of expanding in the European cruise marketplace.

Onboard and other revenues included concessionaire revenues of $292 million in 2008 and $264 million in 2007. Onboard and other revenues increased in 2008 compared to 2007, primarily because of the 8.8% increase in ALBDs.

Costs and Expenses

Operating costs increased $445 million, or 20.3%, from $2.2 billion in 2007 to $2.6 billion in 2008. Of this increase, $174 million was capacity driven by our 8.8% increase in ALBDs, and the remaining increase of $271 million was primarily due to increased fuel costs and the weaker U.S. dollar against the euro compared to 2007.

Selling and administration expenses increased $9 million, or 2.5%, from $363 million in 2007 to $372 million in 2008. Of this increase, $31 million was capacity driven by our 8.8% increase in ALBDs, partially offset by a $26 million gain from a hurricane insurance settlement for damages to our Cozumel, Mexico port facilities in 2005.

Depreciation and amortization expense increased $44 million, or 15.8%, from $279 million in 2007 to $323 million in 2008, largely due to the 8.8% increase in ALBDs through the addition of new ships, the weaker U.S. dollar compared to the euro and additional ship improvement expenditures.

Our total costs and expenses rose from 65.5% in 2007, as a percentage of revenues, to 69.2% in 2008.

Operating Income

Our operating income decreased only $5 million primarily due to our higher fuel costs being offset by increased fleet capacity and the effect of improved cruise ticket pricing.

Nonoperating (Expense) Income

Net interest expense, excluding capitalized interest, increased $27 million to $112 million in 2008 from $85 million in 2007. This increase was primarily due to a $13 million increase in interest expense from a higher level of average borrowings, an $11 million decrease in interest income primarily due to a lower average level of invested cash and a $3 million decrease from lower average interest rates on invested cash.

Income Taxes

Income tax expense increased $13 million to $52 million in 2008 from $39 million in 2007, primarily because of the Mexican deferred income tax expense related to our hurricane insurance settlement. During both the third quarter of 2008 and 2007, we have recorded tax expenses generated by the seasonal operations of our Alaska tour operations.

Key Performance Non-GAAP Financial Indicators

ALBDs is a standard measure of passenger capacity for the period, which we use to perform rate and capacity variance analyses to determine what are the main non-capacity driven factors that cause our cruise revenues and expenses to vary. ALBDs assume that each cabin we offer for sale accommodates two passengers and is computed by multiplying passenger capacity by revenue-producing ship operating days in the period.

We use net cruise revenues per ALBD (net revenue yields) and net cruise costs per ALBD as significant non-GAAP financial measures of our cruise segment financial performance. These measures enable us to separate the impact of predictable capacity changes from the more unpredictable rate changes that affect our business. We believe these non-GAAP measures provide a better gauge to measure our revenue and cost performance instead of the standard U.S. GAAP-based financial measures. There are no specific rules for determining our non-GAAP financial measures and, accordingly, it is possible that they may not be exactly comparable to the like-kind information presented by other cruise companies, which is a potential risk associated with using them to compare us to other cruise companies.

Net revenue yields are commonly used in the cruise industry to measure a company s cruise segment revenue performance and for revenue management purposes. We use net cruise revenues rather than gross cruise revenues to calculate net revenue yields. We believe that net cruise revenues is a more meaningful measure in determining revenue yield than gross cruise revenues because it reflects the cruise revenues earned net of our most significant variable costs, which are travel agent commissions, cost of air transportation and certain other variable direct costs associated with onboard and other revenues. Substantially all of our remaining cruise costs are largely fixed, except for the impact of changing prices, once our ship capacity levels have been determined.

Net cruise costs per ALBD is the most significant measure we use to monitor our ability to control our cruise segment costs rather than gross cruise costs per ALBD. We exclude the same variable costs that are included in the calculation of net cruise revenues to calculate net cruise costs to avoid duplicating these variable costs in these two non-GAAP financial measures.

In addition, because a significant portion of our operations utilize the euro or sterling to measure their results and financial condition, the translation of those operations to our U.S. dollar reporting currency results in increases in reported U.S. dollar revenues and expenses if the U.S. dollar weakens against these foreign currencies, and decreases in reported U.S. dollar revenues and expenses if the U.S. dollar strengthens against these foreign currencies. Accordingly, we also monitor and report our two non-GAAP financial measures assuming the current period currency exchange rates have remained constant with the prior year s comparable period rates, or on a constant dollar basis, in order to remove the impact of changes in exchange rates on our non-U.S. dollar cruise operations. We believe that this is a useful measure since it facilitates a comparative view of the growth of our business in a fluctuating currency exchange rate environment.

Gross and net revenue yields were computed by dividing the gross or net revenues, without rounding, by ALBDs as follows:

	Three Months Ended August 31,		
	2008	**2008 Constant Dollar**	**2007**
	(in millions, except ALBDs and yields)		
Cruise revenues			
Passenger tickets	$ 3,658	$ 3,556	$ 3,206
Onboard and other	864	846	816
Gross cruise revenues	4,522	4,402	4,022
Less cruise costs			
Commissions, transportation and other	(660)	(641)	(583)
Onboard and other	(134)	(132)	(146)
Net cruise revenues	$ 3,728	$ 3,629	$ 3,293
ALBDs	15,392,070	15,392,070	14,150,152
Gross revenue yields	$ 293.82	$ 286.02	$ 284.20
Net revenue yields	$ 242.27	$ 235.79	$ 232.68

Gross and net cruise costs per ALBD were computed by dividing the gross or net cruise costs, without rounding, by ALBDs as follows:

	Three Months Ended August 31,		
	2008	**2008 Constant Dollar**	**2007**
	(in millions, except ALBDs and costs per ALBD)		
Cruise operating expenses	$ 2,440	$ 2,393	$ 1,988
Cruise selling and administrative expenses	364	355	355
Gross cruise costs	2,804	2,748	2,343
Less cruise costs included in net cruise revenues			
Commissions, transportation and other	(660)	(641)	(583)
Onboard and other	(134)	(132)	(146)
Net cruise costs	$ 2,010	$ 1,975	$ 1,614
ALBDs	15,392,070	15,392,070	14,150,152
Gross cruise costs per ALBD	$ 182.17	$ 178.56	$ 165.52
Net cruise costs per ALBD	$ 130.62	$ 128.33	$ 114.00

Net cruise revenues increased $435 million, or 13.2%, to $3.7 billion in 2008 from $3.3 billion in 2007. The 8.8% increase in ALBDs between 2008 and 2007 accounted for $289 million of the increase, and the remaining $146 million was from increased net revenue yields, which increased 4.1% in 2008 compared to 2007 (gross revenue yields also increased by 3.4%). Net revenue yields increased in 2008 primarily due to higher North American brand ticket prices and the weaker U.S. dollar relative to the euro, partially offset by lower ticket pricing in Europe. Net revenue yields as measured on a constant dollar basis increased 1.3% in 2008 compared to 2007, which was comprised of a 2.2% increase in passenger ticket yields, substantially all from our North American brands, partially offset by a 2.1% decrease in onboard and other revenue yields, which was largely the result of the significant increase in our European brands capacity and the fourth quarter 2007 acquisition of Ibero Cruises, as they typically have lower onboard and other revenue yields and a decrease in substantially all of our brands onboard yields. Gross cruise revenues increased $500 million, or 12.4%, to $4.5 billion in 2008 from $4.0 billion in 2007 for largely the same reasons as discussed above for net cruise revenues.

Net cruise costs increased $396 million, or 24.5%, to $2.0 billion in 2008 from $1.6 billion in 2007. The 8.8% increase in ALBDs between 2008 and 2007 accounted for $141 million of the increase. The balance of $255 million was from increased net cruise costs per ALBD, which increased 14.6% in 2008 compared to 2007 (gross cruise costs per ALBD increased 10.1%). This 14.6% increase was primarily due to a 77.1% per metric ton increase in fuel cost to $666 per metric ton in 2008, which resulted in an increase in fuel expense of $230 million compared to 2007 and a weaker U.S. dollar relative to the euro. These increases were partially offset by $26 million received upon settlement of an insurance claim, the non-recurrence in 2008 of the 2007 $18 million expense related to the Merchant Navy Officers Pension Fund and lower selling and administrative expenses, due largely to savings achieved through economies of scale and cost control measures. Net cruise costs per ALBD as measured on a constant dollar basis increased 12.6% in 2008 compared to 2007. On a constant dollar basis, net cruise costs per ALBD, excluding fuel and dry-dock costs were flat, compared to 2007. Gross cruise costs increased $461 million, or 19.7%, in 2008 to $2.8 billion from $2.3 billion in 2007 for largely the same reasons as discussed above for net cruise costs.

Nine months ended August 31, 2008 (2008) Compared to the nine months ended August 31, 2007 (2007)

Revenues

Our total revenues increased $1.4 billion, or 14.5%, from $9.9 billion in 2007 to $11.3 billion in 2008. Of this increase, $876 million was capacity driven by our 9.2% increase in ALBDs and the remaining increase of $559 million was primarily due to increases in cruise ticket pricing, including the implementation of our fuel supplements, and the impact of the weaker U.S. dollar against the euro compared to 2007. Our capacity increased 3.2% for our North American cruise brands and 22.8% for our European cruise brands in 2008 compared to 2007.

Onboard and other revenues included concessionaire revenues of $698 million in 2008 and $626 million in 2007. Onboard and other revenues increased in 2008 compared to 2007, primarily because of the 9.2% increase in ALBDs.

Costs and Expenses

Operating costs increased $1.3 billion, or 22.4%, from $5.6 billion in 2007 to $6.9 billion in 2008. Of this increase, $493 million was capacity driven by our 9.2% increase in ALBDs and the balance of the increase of $771 million was primarily due to increased fuel costs, the weaker U.S. dollar against the euro and increased travel agent commissions on higher ticket revenues compared to 2007.

Selling and administration expenses increased $69 million, or 6.0%. Of this increase, $104 million was capacity driven by our 9.2% increase in ALBDs and $35 million was from the impact of the weaker U. S. dollar against the euro, partially offset by a $26 million gain from our hurricane insurance settlement and by savings achieved through economies of scale and cost control measures undertaken during this difficult economic environment.

Depreciation and amortization expense increased $125 million, or 15.4%, from $811 million in 2007 to $936 million in 2008, largely due to the 9.2% increase in ALBDs through the addition of new ships, the weaker U.S. dollar compared to the euro and additional ship improvement expenditures.

Our total costs and expenses rose from 76.8% in 2007, as a percentage of revenues, to 79.9% in 2008.

Operating Income

Our operating income decreased $23 million, or 1.0%, primarily due to our higher fuel costs partially offset by our increased fleet capacity and improved cruise ticket pricing.

Nonoperating (Expense) Income

Net interest expense, excluding capitalized interest, increased $59 million to $317 million in 2008 from $258 million in 2007. This increase was primarily due to a $45 million increase in interest expense from a higher level of average borrowings, a $17 million decrease in interest income primarily due to a lower average level of invested cash, partially offset by a $3 million decrease from lower average interest rates on average borrowings. Capitalized interest increased $8 million during 2008 compared to 2007 primarily due to higher average levels of investment in ship construction projects.

Income Taxes

Income tax expense increased $22 million to $48 million in 2008 from $26 million in 2007 primarily because 2007 included the reversal of previously recorded deferred tax valuation allowances and uncertain tax position liabilities, which were no longer required, and Mexican deferred income taxes on our insurance settlement gain.

Key Performance Non-GAAP Financial Indicators

Gross and net revenue yields were computed by dividing the gross or net revenues, without rounding, by ALBDs as follows:

	Nine months ended August 31,		
	2008	2008 Constant Dollar	2007
	(in millions, except ALBDs and yields)		
Cruise revenues			
Passenger tickets	$ 8,684	$ 8,417	$ 7,437
Onboard and other	2,309	2,256	2,120
Gross cruise revenues	10,993	10,673	9,557
Less cruise costs			
Commissions, transportation and other	(1,743)	(1,683)	(1,493)
Onboard and other	(380)	(372)	(366)
Net cruise revenues	$ 8,870	$ 8,618	$ 7,698
ALBDs	44,034,240	44,034,240	40,338,081
Gross revenue yields	$ 249.65	$ 242.39	$ 236.91
Net revenue yields	$ 201.45	$ 195.72	$ 190.83

Gross and net cruise costs per ALBD were computed by dividing the gross or net cruise costs, without rounding, by ALBDs as follows:

	Nine months ended August 31,		
	2008	2008 Constant Dollar	2007
	(in millions, except ALBDs and costs per ALBD)		
Cruise operating expenses	$ 6,651	$ 6,495	$ 5,382
Cruise selling and administrative expenses	1,197	1,162	1,129
Gross cruise costs	7,848	7,657	6,511
Less cruise costs included in net cruise revenues			
Commissions, transportation and other	(1,743)	(1,683)	(1,493)
Onboard and other	(380)	(372)	(366)
Net cruise costs	$ 5,725	$ 5,602	$ 4,652
ALBDs	44,034,240	44,034,240	40,338,081
Gross cruise costs per ALBD	$ 178.23	$ 173.88	$ 161.40
Net cruise costs per ALBD	$ 130.03	$ 127.21	$ 115.32

Net cruise revenues increased $1.2 billion, or 15.2%, to $8.9 billion in 2008 from $7.7 billion in 2007. The 9.2% increase in ALBDs between 2008 and 2007 accounted for $705 million of the increase, and the remaining $468 million was from increased net revenue yields, which increased 5.6% in 2008 compared to 2007 (gross revenue yields also increased by 5.4%). Net revenue yields increased in 2008 primarily due to higher North American ticket prices, the weaker U.S. dollar relative to the euro and, to a lesser degree, the 0.4 percentage point increase in our occupancy, partially offset by lower ticket pricing in Europe. Net revenue yields as measured on a constant dollar basis increased 2.6% in 2008 compared to 2007, which was comprised of a 3.8% increase in passenger ticket yields, partially offset by a 1.6% decrease in onboard and other yields, which was largely the result of the significant increase in our European brands capacity as they typically have lower onboard and other revenue yields. Gross cruise revenues increased $1.4 billion, or 15.0%, to $11.0 billion in 2008 from $9.6 billion in 2007 for largely the same reasons as discussed below for net cruise revenues.

Net cruise costs increased $1.1 million, or 23.1%, to $5.7 billion in 2008 from $4.7 billion in 2007. The 9.2% increase in ALBDs between 2008 and 2007 accounted for $426 million of the increase. The balance of $648 million was from increased net cruise costs per ALBD, which increased 12.8% in 2008 compared to 2007 (gross cruise costs per ALBD increased 10.4%). This 12.8% increase was primarily due to a 67.7% per metric ton increase in fuel cost to $565 per metric ton in 2008, which resulted in an increase in fuel expense of $544 million compared to 2007, a weaker U.S. dollar relative to the euro and a $33 million increase in dry-dock expenses in 2008 compared to 2007. These increases were partially offset by lower selling and administrative expenses achieved primarily through economies of scale and cost control measures. Net cruise costs per ALBD as measured on a constant dollar basis increased 10.3% in 2008 compared to 2007. On a constant dollar basis, net cruise costs per ALBD, excluding fuel and dry-dock costs decreased 0.5. Gross cruise costs increased $1.3 billion, or 20.5%, in 2008 to $7.8 billion from $6.5 billion in 2007 for largely the same reasons as discussed below for net cruise costs.

Liquidity and Capital Resources

Sources and Uses of Cash

Our business provided $2.9 billion of net cash from operations during the nine months ended August 31, 2008, a decrease of $333 million, or 10.4%, compared to fiscal 2007. At August 31, 2008 and 2007, we had working capital deficits of $3.8 billion and $4.4 billion, respectively. Our August 31, 2008 deficit included $2.9 billion of customer deposits, which represent the passenger revenues we collect in advance of sailing and, accordingly, is substantially all a deferred revenue item rather than an actual current cash liability. We use our long-term ship assets to realize a portion of this deferred revenue in addition to consuming current assets. In addition, our August 31, 2008 working capital deficit included $1.2 billion of current debt obligations, which included $232 million of convertible debt subject to a put option, which if not put to us will not impact our liquidity. After excluding these customer deposits and current debt obligations from our working capital deficit balance, our non-GAAP adjusted working capital is $324 million. We continue to generate substantial cash from operations and have an A- credit rating, which provides us with financial flexibility, in most financial credit market environments, to refinance our current debt. Accordingly, we believe we have the ability to maintain a substantial working capital deficit, as well as flexibility to meet our operating, investing and financing needs. As explained above, our business model allows us to operate with a significant working capital deficit and, accordingly, we believe we will continue to have a working capital deficit in the foreseeable future.

During the nine months ended August 31, 2008, our net expenditures for capital projects were $2.7 billion, of which $2.3 billion was spent for our ongoing new shipbuilding program, including $1.7 billion for the final delivery payments for the *Ventura, AIDAbella, Eurodam* and *Carnival Splendor*. In addition to our new shipbuilding program, we had capital expenditures of $276 million for ship improvements and refurbishments and $110 million for Alaska tour assets, cruise port facility developments, information technology and other assets. Also during the nine months ended August 31, 2008, we received a $41 million final payment on the 2003 sale of Holland America Line s *Nieuw Amsterdam* to Louis Cruise Line.

During the nine months ended August 31, 2008, we borrowed $5.0 billion of long-term debt, primarily under our long-term revolving credit facility (the Facility) and ship financing facilities, and we repaid $4.2 billion of long-term debt, which primarily included $3.3 billion under the Facility, $302 million of our 1.75% Notes, and $308 million upon maturity of our 4.4% and 6.15% fixed rate notes. Finally, we paid cash dividends of $945 million during the nine months ended August 31, 2008 and purchased $84 million of Carnival Corporation common stock and Carnival plc ordinary shares in open market transactions in December 2007.

Commitments and Funding Sources

Our contractual cash obligations as of August 31, 2008 have changed compared to November 30, 2007, including new ship orders placed in December 2007, primarily as a result of our debt and ship delivery payments as noted above. In addition, $860 million of Carnival Corporation convertible debt that was currently due under put options at November 30, 2007 was not put to us and, accordingly, this debt is now classified as long-term at August 31, 2008. As noted above, there is still $232 million of convertible debt remaining due currently, which has a put option in October 2008 and, accordingly, is classified as a current liability at August 31, 2008.

At August 31, 2008, we had liquidity of $3.9 billion, which consisted of $792 million of cash and cash equivalents, $857 million available for borrowing under our Facility, $1.0 billion under our short-term revolving credit facilities, and $1.3 billion under committed ship financing facilities. Substantially all of our Facility matures in 2012. In September 2008, we terminated $30 million of our $1.0 billion short-term revolving credit facilities, thus reducing our August 31, 2008 liquidity by such amount. In June 2007 we entered into an agreement to sell Cunard Line s *QE2* for delivery to the buyer in November 2008 for $100 million. A key to our access to liquidity is the maintenance of our strong credit ratings.

Based primarily on our historical results, current financial condition and forecasts, we believe that our existing liquidity and cash flow from future operations will be sufficient to fund the majority of our expected capital projects (including shipbuilding commitments), debt service requirements, convertible debt redemptions, dividend payments, working capital and other firm commitments over the next several years. In addition, we believe that in most financial credit market environments we will be able to secure the necessary financings from banks or through the offering of debt and/or equity securities in the public or private markets or take other actions to fund our remaining future cash requirements. However, our cash flow from future operations, as well as our credit ratings and our ability to obtain financing, may be adversely affected by various factors including, but not limited to, those factors noted under Cautionary Note Concerning Factors That May Affect Future Results.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

During the nine months ended August 31, 2008, we entered into foreign currency forwards and options that are designated as cash flow hedges of the remaining *Carnival Dream* shipyard euro payments to lock-in a blended exchange rate of at most $1.584 to the euro and, accordingly, we will have a maximum payment of $723 million for these remaining shipyard payments. However, as a result of the currency options, which are for 50% of these remaining payments, we will benefit if the dollar exchange rate is below $1.584 to the euro.

In addition, we had fair value forward purchase hedges for $532 million that were settled in March 2008 at the time we took delivery of *Ventura*, and in June 2008 we settled $100 million of fair value forward purchases and used $395 million of designated euro cash balances to pay for a portion of the *Carnival Splendor* purchase price.

At August 31, 2008, 56%, 35% and 9% (53%, 37% and 10% at November 30, 2007) of our debt was U.S. dollar, euro and sterling-denominated, respectively, including the effect of foreign currency swaps.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements, including guarantee contracts, retained or contingent interests, certain derivative instruments and variable interest entities, that either have, or are reasonably likely to have, a current or future material effect on our financial statements.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit, is recorded, processed, summarized and reported, within the time periods specified in the U.S. Securities and Exchange Commission s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer have evaluated our disclosure controls and procedures and have concluded, as of August 31, 2008, that they were effective as described above.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended August 31, 2008 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Inherent Limitations of Disclosure Controls and Procedures and Internal Control Over Financial Reporting

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there is only reasonable assurance that our controls will succeed in achieving their goals under all potential future conditions.

PART II OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

In June 2006, the Boards of Directors authorized the repurchase of up to an aggregate of $1 billion of Carnival Corporation common stock and/or Carnival plc ordinary shares subject to certain restrictions. On September 19, 2007, the Boards of Directors increased the remaining $578 million authorization back to $1 billion. The repurchase program does not have an expiration date and may be discontinued by our Boards of Directors at any time. During the 2008 third quarter, there were no repurchases of Carnival Corporation common stock or Carnival plc ordinary shares pursuant to this program. The Carnival plc share repurchase authorization requires annual shareholder approval and is subject to a maximum of 21.3 million ordinary shares until the earlier of the conclusion of the Carnival plc 2009 annual general meeting, or October 21, 2009. At September 26, 2008, the remaining availability pursuant to our share repurchase program was $788 million.

Each share of Carnival Corporation common stock issued is paired with a trust share of beneficial interest in the P&O Princess Special Voting Trust, which holds a Special Voting Share issued by Carnival plc in connection with the DLC transaction.

Item 6. Exhibits.

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date	Filed Herewith
Articles of incorporation and by-laws					
3.1	Third Amended and Restated Articles of Incorporation of Carnival Corporation.	8-K	3.1	4/17/03	
3.2	Second Amended and Restated By-laws of Carnival Corporation.	8-K	3.1	10/19/07	
3.3	Articles of Association of Carnival plc.	8-K	3.3	4/17/03	
3.4	Memorandum of Association of Carnival plc.	8-K	3.4	4/17/03	
Material contracts					
10.1*	Carnival Cruise Lines Management Incentive Plan.				X
Statement re computation of ratios					
12	Ratio of Earnings to Fixed Charges.				X
Rule 13a 14(a)/15d-14(a) Certifications					
31.1	Certification of Chief Executive Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Chief Operating Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.3	Certification of Senior Vice President and Chief Financial Officer of Carnival Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.4	Certification of Chief Executive Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X

Item 6. Exhibits.

INDEX TO EXHIBITS

		Incorporated by Reference			
Exhibit Number	**Exhibit Description**	**Form**	**Exhibit**	**Filing Date**	**Filed Herewith**
31.5	Certification of Chief Operating Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.6	Certification of Senior Vice President and Chief Financial Officer of Carnival plc pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
Section 1350 Certifications					
32.1**	Certification of Chief Executive Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2**	Certification of Chief Operating Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.3**	Certification of Senior Vice President and Chief Financial Officer of Carnival Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.4**	Certification of Chief Executive Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.5**	Certification of Chief Operating Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.6**	Certification of Senior Vice President and Chief Financial Officer of Carnival plc pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X

* Indicates a management contract or compensation plan or arrangement.
** These items are furnished and not filed.

SIGNATURES

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

CARNIVAL CORPORATION

By: /s/ Micky Arison
Micky Arison

Chairman of the Board of Directors

and Chief Executive Officer

By: /s/ Howard S. Frank
Howard S. Frank

Vice Chairman of the Board of Directors

and Chief Operating Officer

By: /s/ David Bernstein
David Bernstein

Senior Vice President

and Chief Financial Officer

Date: September 26, 2008

CARNIVAL PLC

By: /s/ Micky Arison
Micky Arison

Chairman of the Board of Directors

and Chief Executive Officer

By: /s/ Howard S. Frank
Howard S. Frank

Vice Chairman of the Board of Directors

and Chief Operating Officer

By: /s/ David Bernstein
David Bernstein

Senior Vice President

and Chief Financial Officer

Date: September 26, 2008