



Stock Selection Guide [®]

The most widely used aid to good investment judgment

Company	CARNIVAL CORP		Date	10/10/05	
Prepared by	jah		Data taken from	NAIC Data	
Where traded	NYSE		Major product/service	Hotels, Res	
CAPITALIZATION --- Outstanding Amounts			Reference		
Preferred (\$M)	0.0	% Insiders	0.0		
Common (M Shares)	804.0	% Institution	0.0		
Debt (\$M)	7,752.0	% to Tot.Cap.	33.0	% Potential Dil.	None

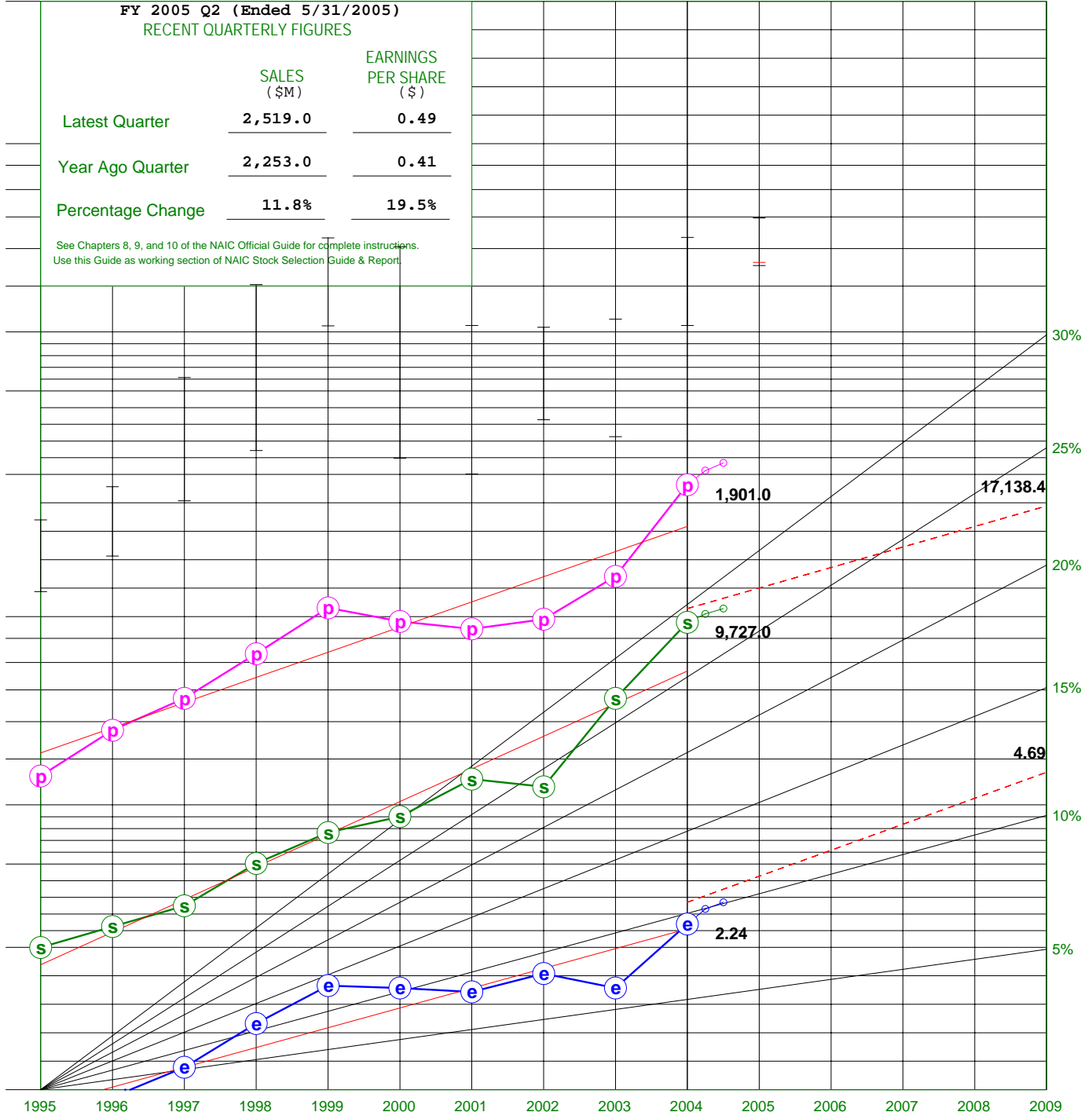
1 VISUAL ANALYSIS of Sales, Earnings and Price

CCL

FY 2005 Q2 (Ended 5/31/2005)
RECENT QUARTERLY FIGURES

	SALES (\$M)	EARNINGS PER SHARE (\$)
Latest Quarter	2,519.0	0.49
Year Ago Quarter	2,253.0	0.41
Percentage Change	11.8%	19.5%

See Chapters 8, 9, and 10 of the NAIC Official Guide for complete instructions.
Use this Guide as working section of NAIC Stock Selection Guide & Report



(1) Historical Sales Growth 17.2 % (3) Historical Earnings Per Share Growth 10.1 %
 (2) Estimated Future Sales Growth 10.5 % (4) Estimated Future Earnings Per Share Growth 13.5 %

2 EVALUATING MANAGEMENT

Company **CARNIVAL CORP (CCL)**

10/10/05

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	23.0	26.0	27.5	27.7	29.9	25.9	20.8	22.6	18.1	19.5	21.4		DOWN
B % Earned on Equity (E/S ÷ Book Value)	19.1	18.8	18.4	19.2	17.3	16.3	14.3	13.9	9.5	11.4	13.1		DOWN

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

		PRESENT PRICE		47.490		HIGH THIS YEAR		58.980		LOW THIS YEAR		46.760	
Year		PRICE		C Earnings Per Share	D Price Earnings Ratio		E	F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100			
		HIGH	LOW		HIGH A ÷ C	LOW B ÷ C					UP	DOWN	
1	2000	51.3	18.3	1.64	31.3	11.2	0.420	25.6	2.3				
2	2001	34.9	17.0	1.61	21.7	10.6	0.420	26.1	2.5				
3	2002	34.6	22.1	1.76	19.7	12.6	0.420	23.9	1.9				
4	2003	36.0	20.3	1.64	22.0	12.4	0.440	26.8	2.2				
5	2004	53.7	35.0	2.24	24.0	15.6	0.525	23.4	1.5				
6	TOTAL		112.7		87.4	51.2		125.8					
7	AVERAGE		22.5		21.9	12.8		25.2					
8	AVERAGE PRICE EARNINGS RATIO				17.3		9	CURRENT PRICE EARNINGS RATIO				19.1	

4 Proj. P/E [16.80] Based on Next 4 qtr. EPS [2.83] Current P/E Based on Last 4 qtr. EPS [2.49] EVALUATING RISK and REWARD over the next 5 years PEG=141

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E 21.9 (3D7 as adj.) X Estimate High Earnings/Share 4.69 = Forecast High Price \$ 102.7 (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E 12.8 (3E7 as adj.) X Estimated Low Earnings/Share 2.24 = \$ 31.9

(b) Avg. Low Price of Last 5 Years = 22.5 (3B7)

(c) Recent Severe Market Low Price = 20.3

(d) Price Dividend Will Support $\frac{\text{Present Divd.}}{\text{High Yield (H)}}$ = $\frac{0.800}{0.025}$ = 32.4

Selected Estimate Low Price = 31.9 (4B1)

C ZONING

102.7 (4A1) High Forecast Price Minus 31.9 (4B1) Low Forecast Price Equals 70.8 (C) Range. 1/3 of Range = 17.7 (4CD)

(4C2) Lower 1/3 = 31.9 (4B1) to 49.6 (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = 49.6 to 85.0 (Maybe)

(4C4) Upper 1/3 = 85.0 to 102.7 (4A1) (Sell)

Present Market Price of 47.490 is in the Buy (4C5) Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) 102.7 Minus Present Price 47.490 = 55.2 = 3.5 To 1
Present Price 47.490 Minus Low Price (4B1) 31.9 = 15.6 (4D)

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) 102.7
Present Market Price 47.490 = (2.163) X 100 = (216.3) - 100 = 116.3 (4E) % Appreciation

Relative Value: 110.4% Proj. Relative Value: 97.1%

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A Present Full Year's Dividend \$ 0.800
Present Price of Stock \$ 47.490 = 0.017 X 100 = 1.7 (5A) Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS
Avg. Earnings Per Share Next 5 Years 3.64 X Avg. % Payout (3G7) 25.2 = 91.7 = 1.9 % (5B)

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

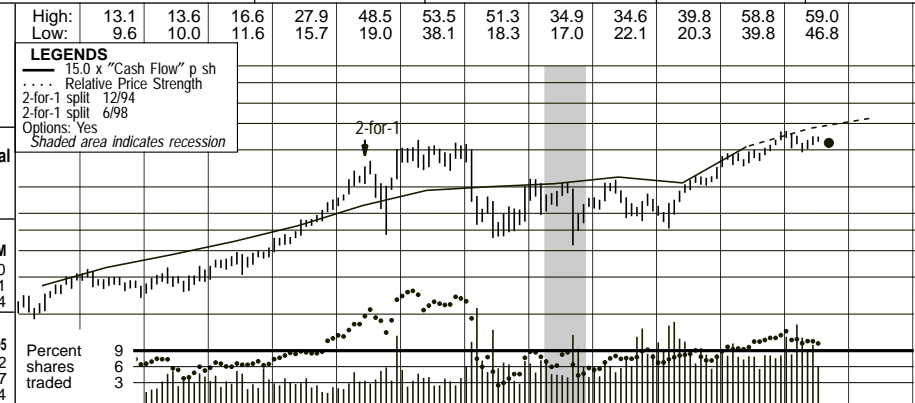
5 Year Appreciation Potential (4E)	<u>116.3</u>								
Average Yield (5B)	<u>1.9</u>	%							
Average Total Annual Return Over the Next 5 Years (5C)	<u>25.2</u>	%							
			<u>23.3</u>	%					
					<u>1.5%</u>				
					<u>11.4%</u>				
					<u>12.8%</u>				
							<u>1.2%</u>		
							<u>16.7%</u>		
							<u>17.8%</u>		

CARNIVAL CORP. NYSE-CCL

RECENT PRICE **51.79** P/E RATIO **19.2** (Trailing: 20.7 Median: 18.0) RELATIVE P/E RATIO **1.02** DIV'D YLD **1.5%**

VALUE LINE

TIMELINESS 3 New 8/22/03
SAFETY 3 New 8/22/03
TECHNICAL 4 Lowered 7/29/05
BETA 1.30 (1.00 = Market)



Target Price Range	2008	2009	2010
	120	100	80
	64	48	32
	24	20	16
	12	8	

2008-10 PROJECTIONS

Price	Gain	Ann'l Total Return
High 85	(+65%)	14%
Low 55	(+5%)	3%

Insider Decisions

S	O	N	D	J	F	M	A	M
to Buy	0	0	0	1	0	0	0	0
Options	0	1	3	1	2	0	0	1
to Sell	5	6	5	3	6	4	3	2

Institutional Decisions

302004	402004	102005	
to Buy	199	237	202
to Sell	191	184	267
Hlds(000)	447138	447695	449724

Carnival Corp. was incorporated in the Republic of Panama in 1974. Initial public offering in 1987: 108,560,000 Class A common shares (adjusted for splits). In 2003, it entered into a dual-listed structure with P&O Princess. The companies will be operated as a single unit, but will have separate exchange listings. Carnival Corp. is listed on the NYSE and Carnival PLC (original P&O Princess) on the London Stock Exchange.

1995	1996	1997	1998	1999	2000	2001	2002	2003F	2004	2005	2006
3.51	3.75	4.12	5.05	5.67	6.46	7.74	7.44	8.42	12.10	13.75	14.80
1.02	1.18	1.40	1.74	2.06	2.14	2.22	2.38	2.23	3.32	4.05	4.55
.80	.95	1.12	1.40	1.66	1.60	1.58	1.73	1.66	2.24	2.70	3.20
.16	.19	.24	.32	.36	.42	.42	.42	.44	.53	.75	.80
.85	1.53	.84	1.93	1.42	1.72	1.41	3.39	3.15	4.46	2.50	2.50
4.12	5.14	6.07	7.20	9.61	10.04	11.24	12.64	17.28	19.60	21.75	23.95
569.59	589.38	594.41	595.45	616.97	584.48	586.17	586.79	798.00	804.00	804.00	804.00
14.4	14.9	18.0	22.9	27.0	17.5	17.7	16.1	17.8	20.0	Bold figures are Value Line estimates	
.96	.93	1.04	1.19	1.54	1.14	.91	.88	1.01	1.07		
1.4%	1.4%	1.2%	1.0%	.8%	1.5%	1.5%	1.5%	1.5%	1.2%		

% TOT. RETURN 7/05

THIS STOCK	VL ARITH. INDEX
1 yr. 13.8	23.2
3 yr. —	86.2
5 yr. —	75.6

CAPITAL STRUCTURE as of 5/31/05
Total Debt \$7752 mill. **Due in 5 Yrs** \$5382 mill.
LT Debt \$6305 mill. **LT Interest** \$245.0 mill.
 (LT interest earned: 8.1x; total interest coverage: 7.7x)

1995	1996	1997	1998	1999	2000	2001	2002	2003F	2004	2005	2006
1998.2	2212.6	2447.5	3009.3	3497.5	3778.5	4535.8	4368.3	6718.0	9727.0	11050	11900
31.0%	31.5%	33.8%	33.9%	34.0%	32.6%	31.9%	33.1%	29.3%	30.7%	32.5%	33.0%
128.4	145.0	167.3	200.7	243.7	287.7	372.2	382.3	585.0	812.0	935	950
451.1	550.2	666.1	835.9	1027.2	965.5	926.2	1015.9	1194.0	1854.0	2305	2720
2.0%	1.6%	.9%	.4%	.3%	.1%	--	--	2.4%	2.5%	3.0%	3.0%
22.6%	24.9%	27.2%	27.8%	29.4%	25.6%	20.4%	23.3%	17.8%	19.1%	20.9%	22.9%

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	2008	2009	2010
Sales per sh ^A	17.15	17.15	17.15
"Cash Flow" per sh	5.45	5.45	5.45
Earnings per sh ^{A B}	4.00	4.00	4.00
Div'ds Decl'd per sh ^C	.90	.90	.90
Cap'l Spending per sh	2.50	2.50	2.50
Book Value per sh	33.35	33.35	33.35
Common Shs Outst'g ^D	800.00	800.00	800.00
Avg Ann'l P/E Ratio	17.5	17.5	17.5
Relative P/E Ratio	1.15	1.15	1.15
Avg Ann'l Div'd Yield	1.3%	1.3%	1.3%

Leases, Uncapitalized Annual rentals \$51.0 mill.
No Defined Benefit Pension Plan

1995	1996	1997	1998	1999	2000	2001	2002	2003F	2004	2005	2006
1150.0	1316.6	1015.3	1563.0	867.5	2099.1	2954.9	3012.0	6918.0	6291.0	5550	4750
2344.9	3030.9	3605.1	4285.5	5931.2	5870.6	6590.8	7417.9	13793	15760	17470	19270
14.0%	13.6%	15.2%	14.7%	15.5%	12.4%	10.3%	10.3%	6.2%	8.9%	10.5%	11.5%
19.2%	18.2%	18.5%	19.5%	17.3%	16.4%	14.1%	13.7%	8.7%	11.8%	13.0%	14.0%
15.6%	14.7%	14.9%	15.3%	13.6%	12.1%	10.3%	10.4%	6.5%	9.2%	9.5%	11.0%
19%	19%	20%	21%	21%	26%	27%	24%	24%	22%	26%	24%

	2008	2009	2010
Sales (\$mill) ^A	13700	13700	13700
Operating Margin	33.0%	33.0%	33.0%
Depreciation (\$mill)	1000	1000	1000
Net Profit (\$mill)	3340	3340	3340
Income Tax Rate	3.0%	3.0%	3.0%
Net Profit Margin	24.4%	24.4%	24.4%
Working Cap'l (\$mill)	d750	d750	d750
Long-Term Debt (\$mill)	3000	3000	3000
Shr. Equity (\$mill)	26680	26680	26680
Return on Total Cap'l	11.5%	11.5%	11.5%
Return on Shr. Equity	12.5%	12.5%	12.5%
Retained to Com Eq	10.0%	10.0%	10.0%
All Div'ds to Net Prof	22%	22%	22%

Common Stock 804,000,000 shs.
 Includes 634,000,000 shares listed on the NYSE and about 170,000,000 shares listed on the London Stock Exchange.

MARKET CAP: \$41.6 billion (Large Cap)

2003	2004	5/31/05
1071.0	660.0	1024.0
403.0	409.0	418.0
171.0	240.0	253.0
487.0	419.0	404.0
2132.0	1728.0	2099.0
645.0	631.0	647.0
486.0	1062.0	1447.0
2184.0	3341.0	3304.0
3315.0	5034.0	5398.0

Business: Carnival Corp. & PLC is the largest cruise company in the world with 12 brands which include Carnival Cruise Lines, Princess Cruises, Holland America Line, Costa Cruises, P&O Cruises, Cunard Line, Windstar Cruises, Seabourn Cruise Line, Ocean Village, Swan Hellenic, AIDA, and P&O Cruises Australia. These brands operate 78 ships with over 134,000 lower berths. The company also operates four companies in Alaska and the Canadian Yukon, Holland America Tours, and Princess Tours. Acq'd P&O Princess, 4/03. Sold A'ROSA brand name, 12/03. Micky Arison owns 32% of stock; Offs./dirs., 32% (3/05 proxy). Chrmn. & CEO: Micky Arison. Inc.: Panama. Addr.: 3655 N.W. 87th Ave., Miami, FL 33178. Tel.: 305-599-2600. Internet: www.carnivalcorp.com.

CURRENT POSITION 2003 2004 5/31/05 (\$MILL.)

ANNUAL RATES Past 10 Yrs. Past 5 Yrs. Est'd '02-'04 of change (per sh)

Sales	12.5%	13.5%	10.5%
"Cash Flow"	13.5%	9.0%	13.0%
Earnings	12.5%	6.0%	13.5%
Dividends	12.5%	8.5%	12.0%
Book Value	19.0%	16.5%	12.5%

Carnival seems on track to achieve solid earnings this fiscal year (ends November 30th). The company recorded strong results for the fiscal second quarter, with the share-net figure increase of over 20% on a 12% advance in revenues. The outlook for the remainder of the year is bright, too. Demand and pricing are favorable. The company should also benefit from an increase in capacity due to the delivery of the 2,974-passenger *Carnival Liberty*, which embarked on its first voyage in July. We are reiterating our fiscal 2005 bottom-line estimate of \$2.70 a share, but have raised our share-net target for fiscal 2006 by a nickel, to \$3.20.

QUARTERLY SALES (\$mill.)^A

Fiscal Year Ends	Feb.Per	Mar.Per	Apr.Per	May.Per	Nov.Per	Full Fiscal Year
2002	905.8	989.1	1437.7	1035.7		4368.3
2003	1035	1342	2523	1818		6718.0
2004	1981	2257	3246	2243		9727.0
2005	2396	2519	3535	2600		11050
2006	2600	2750	3800	2750		11900

EARNINGS PER SHARE^{A B E}

Fiscal Year Ends	Feb.Per	Mar.Per	Apr.Per	May.Per	Nov.Per	Full Fiscal Year
2002	.22	.33	.85	.33		1.73
2003	.22	.19	.90	.26		1.66
2004	.25	.40	1.23	.36		2.24
2005	.42	.49	1.35	.44		2.70
2006	.50	.60	1.50	.60		3.20

QUARTERLY DIVIDENDS PAID^C

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.105	.105	.105	.105	.42
2002	.105	.105	.105	.105	.42
2003	.105	.105	.105	.125	.44
2004	.125	.125	.125	.15	.53
2005	.15	.20	.20		

The company should continue to add new ships, though probably at a slower rate. This year, capacity increased by roughly 9% as a result of the addition of two new ships. This compares with last year's introduction of seven vessels for a total capacity increase of 17%. Currently, Carnival does not plan to add more than four ships a year over the next 3 to 5 years. The company recently placed an order for a ship for its *AIDA* brand, which caters to the growing German-speaking

market. This 2,030-passenger vessel is scheduled to enter service in April, 2008. Including this new order, Carnival has 12 ships scheduled for delivery through 2009. **Carnival will likely generate good free cash flow over the next several years.** These funds may be used to pay dividends, repurchase shares, and/or repay debt. That said, as long as interest rates remain relatively low, CCL plans to concentrate on returning cash to shareholders as opposed to repaying debt. It has already demonstrated that by increasing the dividend payment twice within a 12-month span. As of the beginning of July, the company had about \$970 million remaining under its buyback authorization. **Despite good prospects, this stock has little investment appeal at this time.** The share price climbed roughly 5% since our last report in May. This further narrowed this issue's long-term appreciation potential, which is now well below the *Value Line* average. CCL shares also do not stand out as a short-term investment, as they are ranked to only mirror the broader market in the year ahead.

(A) Fiscal year ends Nov. 30th.
(B) Diluted earnings. Excludes non-recurring items: '94, d\$0.02; '96, \$0.03; '00, d\$0.04. Next earnings report due late September. **(C)** Dividends historically paid in mid-March, June, September, and December. **(D)** In mill., adj. for stock splits. **(E)** Quarterly figures may not add to total due to rounding and/or change in shares outstanding. **(F)** All data prior to 2003 is for CCL only.

Company's Financial Strength B+
Stock's Price Stability 50
Price Growth Persistence 80
Earnings Predictability 80

Marina Livson
 August 19, 2005