

TRI-CONTINENTAL CORP
Form N-30B-2
December 10, 2004

**Management Discussion
and
Third Quarter Report 2004**

Tri-Continental Corporation

an investment you can live with

Tri-Continental Corporation

This Management Discussion is intended only for the information of Stockholders who have received the current prospectus for Tri-Continental Corporation. You should consider the investment objectives, risks, charges and expenses of Tri-Continental before purchasing shares. The prospectus, which contains information about these factors and other information, should be read carefully before purchasing shares.

TRI-CONTINENTAL MANAGEMENT DISCUSSION

Interview with Jack Cunningham, Portfolio Manager of Tri-Continental

What economic and market conditions affected Tri-Continental's portfolio during the third quarter of 2004?

By and large, the equity market had a negative tone during the third quarter of 2004. Several factors contributed to the mood, including slowing economic and corporate profit growth, sharply higher oil prices, and uncertainty related to a tight US presidential race. Old economy, value-oriented stocks tended to outperform new economy growth stocks during this time.

During the quarter, investors witnessed a slowdown in terms of US economic activity. There were several weak data points, including job growth, GDP growth, and consumer confidence. The stock market responded by selling off, particularly in the first half of the quarter. We did see a rebound toward the end of the three-month period, but the S&P 500 still closed out the quarter with slightly negative performance. With less worry about inflation and less fear of the Federal Reserve Board raising interest rates sharply, rates fell. The 10-year Treasury yield, for example, declined throughout most of the quarter. As a result, yield-sensitive stocks actually outperformed during the period. Telecommunications and utility stocks, both of which tend to pay relatively high dividends, were two of the top-performing sectors in the S&P 500.

Concern about corporate profit growth was also an issue for investors during the quarter, and this is clearly tied to this summer's slowdown in economic growth. Corporate profit growth has decelerated significantly from the beginning of 2004, but overall we believe corporate profit growth is still reasonably healthy. The good news is that many corporations have strong balance sheets and sizable cash reserves. Unfortunately, companies remain cautious on spending. They have also been reluctant to do much new hiring in light of escalating health care costs and continued high productivity levels.

The other big story in the quarter, and also of concern to investors, was the rapid rise in energy prices. Oil prices escalated sharply, particularly during the month of September, reaching over \$50 a barrel. A lot of the increase was related to the severe hurricane season in the Gulf of Mexico, which caused some disruption in oil production. Other international events were also worrisome, including concerns about an oil strike in Nigeria and other supply issues. The other factor driving oil prices higher is the continued underestimation of demand. Much of the incremental

Not part of the third quarter report

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demand growth is coming from China. The rise in the cost of oil caused energy-related stocks to perform quite well during the third quarter. In fact, energy was the best-performing sector in the S&P 500.

Technology stocks, which constitute a sizable portion of the S&P 500 and which had performed well in the early part of 2004, sold off sharply during the third quarter and were the benchmark's worst-performing sector. Investors worried about technology industry fundamentals and how reduced business confidence related to economic and geopolitical concerns might affect the sector. The health care and consumer staples sectors were also poor performers during this time, as a large pharmaceutical company faced bad product news and some blue chip consumer companies had earnings disappointments.

What can you tell us about Tri-Continental's portfolio strategy and investment results during the third quarter?

During the three months ended September 30, 2004, Tri-Continental Corporation posted a total return of 1.07% based on market price and 1.67% based on net asset value. During the same time period, the S&P 500 returned 1.87%, and the Lipper Closed-End Growth & Income Funds Average returned 0.99%. Good stock selection helped Tri-Continental slightly outperform the S&P 500. For total return information for the period, please consult Tri-Continental Corporation's Third Quarter Report.

Tri-Continental's largest sector weightings at September 30, 2004, were in financials, information technology, and industrials. The portfolio had overweightings in energy, industrials, and information technology, while it was underweighted in utilities and consumer staples. The financial and industrial sectors of the S&P 500 were essentially flat during the third quarter, while the technology sector suffered losses. Tri-Continental's technology holdings also suffered losses, but they performed better than those of the benchmark. As oil prices rose sharply, the portfolio's exposure to and overweighting in the energy sector benefited both Tri-Continental's absolute and relative performance. Good stock selection in the materials and utilities sectors also contributed to Tri-Continental's performance during the quarter. Our stock selection in the health care sector also helped, as our holdings outperformed those of the benchmark. Declines in some of the portfolio's consumer staples holdings detracted from performance.

Tri-Continental's portfolio was overweighted in the energy sector for a number of reasons. First, these stocks seemed attractive from a valuation standpoint. We did not believe the market was fully valuing these stocks given that the price of oil was over \$50. Additionally, we thought companies in this sector had strong cash flow, diversified earnings streams, and attractive dividend yields. Thus, Tri-Continental's portfolio was well positioned for the uptick in commodity prices. However, since we do not think energy prices are sustainable at these high levels, we have recently reduced the portfolio's energy weighting.

Another overweighting within Tri-Continental's portfolio has been information technology. Toward the end of the third quarter, we added to Tri-Continental's technology position, partly to take advantage of attractive valuations, since the sector had been hit so hard in recent months. Although third-quarter earnings in the sector were not impressive, we expect fundamentals to recover over the next six months.

Not part of the third quarter report

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Tri-Continental Corporation

What is your outlook?

Looking ahead, we anticipate decent economic growth over the next six to twelve months. We should see an acceleration in job growth, but not a dramatic pickup. We believe consumer spending will remain steady, and we expect an increase in business spending. In our view, spending by corporations will be one of the primary drivers of economic growth. Interest rates should move up modestly, but we do not expect a dramatic increase because, despite high commodity prices, inflation levels overall remain relatively benign. Oil prices do remain somewhat of a wildcard, but we do not believe the current high prices are sustainable over the intermediate term.

In terms of Tri-Continental's portfolio, we do not believe energy stocks have much more upside potential, and we think commodity prices will fall; we have thus reduced Tri-Continental's weighting in the energy sector. With interest rates trending up, Tri-Continental also has an underweighting in financial stocks, although they remain the portfolio's largest holding. Consumer stocks are also being underweighted since we do not anticipate much growth in consumer spending. Tri-Continental will seek to increase its weighting in utility stocks, particularly those that have a positive fundamental catalyst.

With this backdrop, we think equities have the potential to perform well in the fourth quarter and beyond, though we do not anticipate outsized returns. While corporate earnings growth has decelerated, the market has been aware of this for six months and the fact remains that earnings growth is still moving up overall. With the US presidential election now behind us, an element of uncertainty has been removed from the market. We could begin to see good news on 2005 earnings, and investors may be swayed by the relative attractiveness of equities, particularly with long-term interest rates at such low levels. Over the next year, we expect to see equity market gains driven by corporate profit growth as opposed to price-to-earnings multiple expansion.

In this environment, we also expect investors to favor dividend-paying stocks such as those in the financial or utilities sector. Some of the yields today are quite attractive, including those available from blue-chip companies, and we expect Tri-Continental to focus a bit more on income-producing stocks while continuing to seek total

return. While dividend-paying stocks do tend to underperform in an environment of rising interest rates, we expect only a moderate, not a significant, increase in interest rates. Given corporate America's new focus on increasing dividends (reflecting reduced taxes on dividends enacted in 2003), we believe dividends are going to become a more important component of the equity market, and may be a bigger contributor to total return than in the past.

What is your background and how will it affect the way you manage Tri-Continental's portfolio?

My background is as a large-cap value manager. My objective as a manager is to construct a portfolio of stocks that will produce future growth of both capital and income while providing reasonable current income. I believe that a portfolio that has an overall better valuation than that of the broader market and a similar growth rate has the best chance of achieving this objective. In terms of process, I work very closely with a team of analysts to focus on stocks that are attractive on a fundamental and valuation basis while incorporating the macroeconomic backdrop for each industry. We carefully monitor sector and stock weightings. Risk management is an important part of the investment process, as is understanding the risks being taken in terms of position sizes and sector weightings versus the

Not part of the third quarter report

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Tri-Continental Corporation

benchmark. Our goal is to make sure that the risk/reward ratio for every single stock in the portfolio is attractive and meets our criteria. As manager of a core product like Tri-Continental, Seligman's Core Investment Team will have flexibility to pursue opportunities while still seeking to produce future growth of both capital and income while providing reasonable current income.

The management of Tri-Continental's portfolio will not change significantly. Going forward, we will be more focused on stock and sector weightings, depending on where we see the best opportunities. The portfolio will likely be a bit more concentrated on the team's best ideas, going from about 100 holdings to between 70 and 80. Tri-Continental's turnover rate is unlikely to change significantly over the long term, though it may increase over the short term as changes are made.

The views and opinions expressed are those of the Portfolio Manager(s), are provided for general information only, and do not constitute specific tax, legal, or investment advice to, or recommendations for, any person. There can be no guarantee as to the accuracy of market forecasts. Opinions, estimates, and forecasts may be changed without notice. Tri-Continental is actively managed and its holdings are subject to change. For a complete listing of portfolio holdings, please consult Tri-Continental's Third Quarter Report.

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THIRD QUARTER REPORT 2004

November 5, 2004

To the Stockholders:

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Your third quarter Stockholder report for Tri-Continental Corporation follows this letter. This report contains Tri-Continental's investment results and its portfolio of investments as of September 30, 2004.

For the three months ended September 30, 2004, Tri-Continental posted a total return of 1.07% based on market price and 1.67% based on net asset value. During the same time period, the S&P 500 returned 1.87%, and the Lipper Closed-End Growth & Income Funds Average returned 0.99%. For the nine months ended September 30, 2004, Tri-Continental returned 2.73% based on net asset value and 2.01% based on market price, compared with 1.51% for the S&P 500.

We are pleased to announce that Jack Cunningham has joined J. & W. Seligman & Co. as Chief Investment Officer and Head of the Core Investment Team, and has assumed responsibility for Tri-Continental's portfolio. Mr. Cunningham, who is a holder of the Chartered Financial Analyst (CFA) designation, will lead Tri-Continental's team of analysts responsible for researching companies in the various sectors of the economy. Using a bottom-up perspective, the Team will seek to identify stocks for Tri-Continental's portfolio that are attractive from a both a fundamental and valuation standpoint. It is important to note that Tri-Continental's investment objective remains unchanged - to invest to produce future growth of both capital and income, while providing reasonable current income. We are confident that Tri-Continental's investment capabilities will continue to grow and prosper under Mr. Cunningham's leadership.

Tri-Continental continues to have a tax loss carryforward from net capital losses realized during the severe market downturn of 2000-2002. Under federal tax rules, these losses must first be offset by net realized capital gains before Tri-Continental can resume capital gain distributions to Stockholders. While the portfolio has made progress in this regard, Tri-Continental will not pay a capital gain this December.

We know that many Stockholders will be disappointed that there will be no capital gain payout. Over time, however, we are confident that we will be able to offset Tri-Continental's net realized capital loss carryforward with realized gains and resume capital gain distributions, though it is impossible to predict with certainty when this will occur. In the interim, any increase in the value of a Stockholder's investment will not be taxable to Stockholders who do not sell their investment.

We thank you for your continued support of Tri-Continental Corporation and look forward to serving your investment needs for many years to come.

By order of the Board of Directors,

William C. Morris
Chairman

Brian T. Zino
President

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Tri-Continental Corporation

Investment Results Per Common Share (unaudited)

TOTAL RETURNS

For Periods Ended September 30,
2004

| | | Average Annual | | |
|------------------|-----------------|----------------|---------------|-------------|
| Three Months* | Nine Months* | One Year | Five Years | 10 Years |

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| | | | | | |
|---|---------|-------|--------|---------|-------|
| Market Price** | (1.07)% | 2.01% | 12.10% | (4.01)% | 7.97% |
| Net Asset Value** | (1.67) | 2.73 | 14.93 | (3.05) | 8.11 |
| Lipper Closed-End Growth & Income Funds Average*** | 0.99 | 3.92 | 15.62 | 3.16 | 9.13 |
| S&P 500*** | (1.87) | 1.51 | 13.86 | (1.31) | 11.08 |

PRICE PER SHARE

| | September 30, 2004 | June 30, 2004 | March 31, 2004 | December 31, 2003 |
|------------------------|-----------------------|---------------|-------------------|----------------------|
| Market Price | \$16.61 | \$16.83 | \$17.20 | \$16.40 |
| Net Asset Value | 19.95 | 20.33 | 20.10 | 19.55 |

DIVIDEND, CAPITAL GAIN AND YIELD INFORMATION

For the Nine Months Ended September 30, 2004

| | Capital Gain | | | SEC 30-Day Yield ^ø |
|--|-----------------------------|------------------------|---------------------------|----------------------------------|
| | Dividends Paid [□] | Realized ^{□□} | Unrealized ^{□□□} | |
| | \$0.12 | \$0.90 | \$1.34 | 1.13% |

The rates of return will vary and the principal value of an investment will fluctuate. Shares, if sold, may be worth more or less than their original cost. Performance data quoted represents past performance and does not guarantee future results. Due to market volatility, current performance may be higher or lower than the performance quoted above. Total returns for the Corporation as of the most recent month-end will be made available at www.seligman.com¹ by the seventh business day following month-end.

¹ The reference to Seligman's website is an inactive textual reference and information contained in or otherwise accessible through Seligman's website does not form a part of this report or the Corporation's prospectus.

* Returns for periods of less than one year are not annualized.

** These rates of return reflect changes in market price or net asset value, as applicable, and assume that all distributions within the period are taken in additional shares.

*** The Lipper Closed-End Growth & Income Funds Average and the S&P 500 are unmanaged benchmarks that assume reinvestment of all distributions. The Lipper Closed-End Growth & Income Funds Average excludes the effect of any costs associated with the purchase of shares, and the S&P 500 excludes the effect of taxes, fees and sales charges. The Lipper Closed-End Growth & Income Funds Average measures the performance of closed-end mutual funds with objectives similar to the Corporation. The S&P 500 measures the performance of 500 of the largest US companies based on market capitalizations. Investors cannot invest directly in an index or an average.

□ Preferred Stockholders were paid dividends totaling \$1.875 per share.

□ Information does not reflect the effect of capital loss carryforwards that are available to offset these and future capital gains.

□ Represents the per share amount of net unrealized appreciation of portfolio securities as of September 30, 2004.

^ø Current yield, representing the annualized yield for the 30-day period ended September 30, 2004, has been computed in accordance with SEC regulations and will vary.

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Tri-Continental Corporation

Largest Portfolio Changes (unaudited)

July 1, 2004 to September 30, 2004

Largest Purchases
Abbott Laboratories*

Largest Sales
Autodesk, Inc.**

| | |
|---|---|
| Waste Management, Inc.* | Electronic Arts Inc.** |
| Kroger Company (The)* | International Game Technology** |
| QUALCOMM Inc.* | Merck & Co. Inc.* |
| Coca-Cola Company (The) | Medtronic, Inc.** |
| SBC Communications Inc.* | Oracle Corporation |
| Andrx Corp.* | Teva Pharmaceutical Industries Ltd. (ADR)** |
| Colgate-Palmolive Company* | Citigroup Inc. |
| Computer Associates International, Inc. | Merrill Lynch & Co. Inc. |
| Tiffany & Co. | Biogen Idec Inc.** |

Largest portfolio changes from the previous period to the current period are based on cost of purchases and proceeds from sales of securities, listed in descending order.

* Position added during the period.

** Position eliminated during the period.

10 Largest Equity Holdings (unaudited)

September 30, 2004

| Security | Value | Percent of Net Investment Assets |
|--|--------------|--|
| General Electric Company | \$89,986,005 | 3.9 |
| Microsoft Corporation | 74,197,964 | 3.2 |
| Exxon Mobil Corporation | 74,033,102 | 3.2 |
| Citigroup Inc. | 63,684,132 | 2.7 |
| Pfizer Inc. | 58,600,163 | 2.5 |
| American International Group, Inc. | 47,912,553 | 2.1 |
| Altria Group, Inc. | 46,498,099 | 2.0 |
| International Business Machines Corporation | 42,871,715 | 1.8 |
| Wal-Mart Stores, Inc. | 41,060,824 | 1.8 |
| Novartis (ADR) | 39,739,505 | 1.7 |

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Tri-Continental Corporation

Portfolio of Investments (unaudited)

September 30, 2004

| | Shares | Value |
|---------------------------------------|---------|---------------|
| COMMON STOCKS 96.3% | | |
| AEROSPACE AND DEFENSE 2.1% | | |
| General Dynamics Corporation | 261,000 | \$ 26,648,100 |
| L-3 Communications Holdings, Inc.* | 338,100 | 22,652,700 |
| | | 49,300,800 |
| AUTO COMPONENTS 0.9% | | |
| Lear Corp. | 379,400 | 20,658,330 |
| | | 20,658,330 |

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| | | |
|--|-----------|------------|
| BEVERAGES 2.7% | | |
| Coca-Cola Company (The) | 793,300 | 31,771,665 |
| PepsiCo, Inc. | 610,200 | 29,686,230 |
| | | <hr/> |
| | | 61,457,895 |
| | | <hr/> |
| BIOTECHNOLOGY 1.4% | | |
| Amgen Inc.* | 289,100 | 16,419,435 |
| Gilead Sciences, Inc.* | 185,800 | 6,944,275 |
| MedImmune, Inc.* | 405,700 | 9,609,004 |
| | | <hr/> |
| | | 32,972,714 |
| | | <hr/> |
| BUILDING PRODUCTS 0.8% | | |
| Masco Corporation | 514,100 | 17,751,873 |
| | | <hr/> |
| CAPITAL MARKETS 2.1% | | |
| Bank of New York Company, Inc. (The) | 566,100 | 16,513,137 |
| Goldman Sachs Group, Inc. (The) | 107,100 | 9,986,004 |
| Merrill Lynch & Co. Inc. | 218,600 | 10,868,792 |
| Morgan Stanley | 247,370 | 12,195,341 |
| | | <hr/> |
| | | 49,563,274 |
| | | <hr/> |
| CHEMICALS 2.1% | | |
| Dow Chemical Co. (The) | 446,100 | 20,154,798 |
| Praxair, Inc. | 675,600 | 28,875,144 |
| | | <hr/> |
| | | 49,029,942 |
| | | <hr/> |
| COMMERCIAL BANKS 3.5% | | |
| Bank of America Corporation | 417,040 | 18,070,343 |
| U.S. Bancorp | 835,630 | 24,149,707 |
| Wachovia Corporation | 536,463 | 25,186,938 |
| Wells Fargo & Company | 209,800 | 12,510,374 |
| | | <hr/> |
| | | 79,917,362 |
| | | <hr/> |
| COMMERCIAL SERVICES AND SUPPLIES 1.7% | | |
| ServiceMaster Company (The) | 1,838,600 | 23,644,396 |
| Waste Management, Inc. | 556,600 | 15,217,444 |
| | | <hr/> |
| | | 38,861,840 |
| | | <hr/> |
| COMMUNICATIONS | | |

| | | |
|---|-----------|-------------|
| EQUIPMENT 2.7% | | |
| Andrew Corporation* | 1,602,600 | 19,607,811 |
| Cisco Systems, Inc.* | 1,569,780 | 28,342,378 |
| QUALCOMM Inc. | 363,400 | 14,185,319 |
| | | <hr/> |
| | | 62,135,508 |
| | | <hr/> |
| COMPUTERS AND | | |
| PERIPHERALS 4.8% | | |
| Dell Inc.* | 891,960 | 31,709,178 |
| EMC Corporation* | 2,086,000 | 24,072,440 |
| Hewlett-Packard Company International Business Machines Corporation | 710,130 | 13,314,937 |
| | 500,020 | 42,871,715 |
| | | <hr/> |
| | | 111,968,270 |
| | | <hr/> |
| CONSUMER FINANCE 1.8% | | |
| American Express Company | 296,330 | 15,249,142 |
| Capital One Financial Corporation | 128,900 | 9,525,710 |
| MBNA Corporation | 651,500 | 16,417,800 |
| | | <hr/> |
| | | 41,192,652 |
| | | <hr/> |
| DIVERSIFIED FINANCIAL | | |
| SERVICES 3.8% | | |
| Citigroup Inc. | 1,443,430 | 63,684,132 |
| J.P. Morgan Chase & Co. | 616,500 | 24,493,545 |
| | | <hr/> |
| | | 88,177,677 |
| | | <hr/> |
| DIVERSIFIED | | |
| TELECOMMUNICATION | | |
| SERVICES 2.0% | | |
| SBC Communications Inc. | 371,500 | 9,640,425 |
| Verizon Communications Inc. | 948,800 | 37,363,744 |
| | | <hr/> |
| | | 47,004,169 |
| | | <hr/> |
| ELECTRONIC EQUIPMENT | | |
| AND INSTRUMENTS 0.5% | | |
| Jabil Circuit, Inc.* | 530,040 | 12,190,920 |
| | | <hr/> |
| ENERGY EQUIPMENT | | |
| AND SERVICES 0.8% | | |
| Noble Corporation* | 186,300 | 8,374,185 |
| Rowan Companies, Inc.* | 384,900 | 10,161,360 |
| | | <hr/> |
| | | 18,535,545 |

FOOD AND STAPLE**RETAILING 2.8%**

| | | |
|-----------------------|---------|------------|
| Kroger Company (The)* | 966,700 | 15,003,184 |
| Sysco Corporation | 305,000 | 9,125,600 |
| Wal-Mart Stores, Inc. | 771,820 | 41,060,824 |
| | | 65,189,608 |

See footnotes on page 6.

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Tri-Continental Corporation**Portfolio of Investments** (unaudited)

September 30, 2004

| | Shares | Value |
|--|---------|---------------|
| FOOD PRODUCTS 0.7% | | |
| Dean Foods Company* | 565,100 | \$ 16,964,302 |
| HEALTH CARE PROVIDERS AND SERVICES 2.1% | | |
| Aetna Inc. | 236,200 | 23,603,466 |
| Andrx Corp.* | 452,800 | 10,113,288 |
| Anthem, Inc.* | 84,400 | 7,363,900 |
| Laboratory Corporation of America Holdings* | 161,900 | 7,078,268 |
| | | 48,158,922 |
| HOTELS, RESTAURANTS AND LEISURE 1.9% | | |
| Carnival Corporation | 629,500 | 29,769,055 |
| Marriott International, Inc. Class [A] | 292,400 | 15,193,104 |
| | | 44,962,159 |
| HOUSEHOLD DURABLES 0.4% | | |
| Pulte Homes, Inc. | 156,100 | 9,579,857 |
| HOUSEHOLD PRODUCTS 1.7% | | |
| Colgate-Palmolive Company | 179,100 | 8,091,738 |
| Procter & Gamble Company (The) | 582,112 | 31,503,901 |

| | | |
|---|-----------|-------------|
| | | 39,595,639 |
| INDEX DERIVATIVES 0.8% | | |
| SPDR Trust, Series 1 | 158,800 | 17,747,488 |
| INDUSTRIAL | | |
| CONGLOMERATES 5.6% | | |
| General Electric Company | 2,679,750 | 89,986,005 |
| Tyco International Ltd. | 1,281,040 | 39,276,686 |
| | | 129,262,691 |
| INSURANCE 5.2% | | |
| American International Group, Inc. | 704,700 | 47,912,553 |
| Hartford Financial Services Group, Inc. | 212,400 | 13,153,932 |
| PartnerRe Ltd. | 219,700 | 12,015,393 |
| Prudential Financial, Inc. | 782,400 | 36,804,096 |
| XL Capital Ltd. Class [A] | 149,700 | 11,076,303 |
| | | 120,962,277 |
| INTERNET AND | | |
| CATALOG RETAIL 0.6% | | |
| eBay Inc.* | 147,560 | 13,570,355 |
| MACHINERY 2.0% | | |
| Deere & Company | 259,000 | 16,718,450 |
| Illinois Tool Works Inc. | 318,980 | 29,719,367 |
| | | 46,437,817 |
| MEDIA 3.1% | | |
| Clear Channel Communications, Inc. | 545,200 | 16,993,884 |
| Time Warner Inc.* | 1,727,000 | 27,873,780 |
| Tribune Company | 347,700 | 14,307,855 |
| Univision Communications Inc. Class [A]* | 373,300 | 11,800,013 |
| | | 70,975,532 |
| METALS AND MINING 0.7% | | |
| Freeport-McMoRan Copper & Gold, Inc. Class [B] | 381,600 | 15,454,800 |

MULTI-LINE RETAIL 0.7%

| | | |
|--------------|---------|------------|
| Target Corp. | 372,300 | 16,846,575 |
|--------------|---------|------------|

MULTI-UTILITIES AND**UNREGULATED POWER 0.9%**

| | | |
|--------------------------|---------|------------|
| Dominion Resources, Inc. | 72,600 | 4,737,150 |
| Duke Energy Corporation | 744,700 | 17,046,183 |

21,783,333

OIL AND GAS 7.8%

| | | |
|--|-----------|------------|
| BP p.l.c. (ADR) <i>(United Kingdom)</i> | 219,800 | 12,645,094 |
| ChevronTexaco Corporation | 504,200 | 27,045,288 |
| ConocoPhillips | 399,403 | 33,090,539 |
| Exxon Mobil Corporation | 1,531,825 | 74,033,102 |
| Noble Energy, Inc. | 294,680 | 17,162,163 |
| Occidental Petroleum Corporation | 304,200 | 7,013,906 |

180,990,092

PAPER AND FOREST**PRODUCTS 0.5%**

| | | |
|----------------------|---------|------------|
| Weyerhaeuser Company | 189,020 | 12,566,050 |
|----------------------|---------|------------|

PHARMACEUTICALS 8.1%

| | | |
|-------------------------------------|-----------|------------|
| Abbott Laboratories | 586,900 | 24,861,084 |
| Forest Laboratories, Inc.* | 209,500 | 9,423,310 |
| Johnson & Johnson | 541,263 | 30,489,345 |
| Novartis (ADR) <i>(Switzerland)</i> | 851,500 | 39,739,505 |
| Pfizer Inc. | 1,915,038 | 58,600,163 |
| Watson Pharmaceuticals, Inc.* | 332,500 | 9,795,450 |
| Wyeth | 414,300 | 15,494,820 |

188,403,677

See footnotes on page 6.

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Tri-Continental Corporation

Portfolio of Investments (unaudited)

September 30, 2004

Shares

Value

REAL ESTATE 0.8%

| | | |
|---|---------|---------------|
| Apartment Investment & Management Company Class [A] | 501,600 | \$ 17,445,648 |
|---|---------|---------------|

**SEMICONDUCTORS
AND SEMICONDUCTOR
EQUIPMENT 1.7%**

| | | |
|---|-----------|-------------------|
| Intel Corporation | 1,177,590 | 23,598,904 |
| Taiwan Semiconductor Manufacturing Company Ltd. (ADR) (<i>Taiwan</i>) | 2,136,501 | 15,254,617 |
| | | <u>38,853,521</u> |

SOFTWARE 6.4%

| | | |
|--|-----------|--------------------|
| Computer Associates International, Inc. | 1,177,900 | 30,978,770 |
| Microsoft Corporation | 2,683,956 | 74,197,964 |
| Oracle Corporation* | 561,100 | 6,337,624 |
| Symantec Corporation* | 571,900 | 31,417,326 |
| Synopsys, Inc.* | 366,900 | 5,791,517 |
| | | <u>148,723,201</u> |

SPECIALTY RETAIL 2.0%

| | | |
|---------------------------|---------|-------------------|
| Advance Auto Parts, Inc.* | 247,700 | 8,520,880 |
| Michaels Stores, Inc. | 461,700 | 27,337,257 |
| Tiffany & Co. | 327,600 | 10,070,424 |
| | | <u>45,928,561</u> |

THRIFTS AND MORTGAGE**FINANCE 1.9%**

| | | |
|-------------------|---------|-------------------|
| Fannie Mae | 257,500 | 16,325,500 |
| Freddie Mac | 223,700 | 14,594,188 |
| Radian Group Inc. | 285,800 | 13,212,534 |
| | | <u>44,132,222</u> |

TOBACCO 2.0%

| | | |
|--------------------|---------|------------|
| Altria Group, Inc. | 988,480 | 46,498,099 |
|--------------------|---------|------------|

WIRELESS
**TELECOMMUNICATION
SERVICES 2.2%**

| | | |
|--|-----------|------------|
| American Tower Corporation Class [A]* | 1,624,000 | 24,928,400 |
| Crown Castle International Corp.* | 1,754,900 | 26,112,912 |

| | Principal Amount | 51,041,312 |
|---|---------------------|------------------|
| TOTAL COMMON STOCKS (Cost \$2,076,587,617) | | 2,232,792,509 |
| TRI-CONTINENTAL FINANCIAL DIVISION 0.2% | | |
| WCAS Capital Partners II, L.P. □ | \$ 4,727,686 | 2,566,803 |
| Whitney Subordinated Debt Fund, L.P. □ | 2,464,665 | 1,177,949 |
| TOTAL TRI-CONTINENTAL FINANCIAL DIVISION (Cost \$7,192,351) | | 3,744,752 |
| FIXED TIME DEPOSITS 2.6% | | |
| Rabobank Nederland, 1.87%, 10/1/04 (Cost \$61,432,000) | 61,432,000 | 61,432,000 |
| TOTAL INVESTMENTS (Cost \$2,145,211,968**) 99.1% | | 2,297,969,261 |
| OTHER ASSETS LESS LIABILITIES 0.9% | | 20,000,041 |
| NET INVESTMENT ASSETS 100.0% | | \$ 2,317,969,302 |

* Non-income producing security.

** The cost of investments for federal income tax purposes was \$2,146,638,222. The tax basis gross unrealized appreciation and depreciation of portfolio securities were \$255,190,615 and \$103,859,576, respectively.

□ Restricted security.

ADR - American Depositary Receipt

Security Valuation - Securities traded on an exchange are valued at the last sales price on the primary exchange or market on which they are traded. Securities not listed on an exchange or security market, or securities for which there is no last sales price, are valued at the mean of the most recent bid and asked prices or are valued by J. & W. Seligman & Co. Incorporated based on quotations provided by primary market makers in such securities. Securities for which market quotations are not readily available are valued at fair value determined in accordance with procedures approved by the Board of Directors. This can occur in the event of, among other things, natural disasters, acts of terrorism, market disruptions, intra-day trading halts, and extreme market volatility in the US markets. Short-term holdings that mature in more than 60 days are valued at current market quotations. Short-term holdings maturing in 60 days or less are valued at amortized cost.

Tri-Continental Corporation

Stockholder Services

Tri-Continental provides a number of services to make maintaining an investment in its Common Stock more convenient. Please consult Tri-Continental's prospectus for the terms and conditions of these services.

Automatic Dividend Investment and Cash Purchase Plan. Subject to the terms and conditions set forth in the prospectus, Stockholders may automatically purchase additional shares with dividends and capital gains. There is no charge for this service. Stockholders may also, subject to the terms and conditions of the prospectus, purchase additional shares directly from the Corporation. There is a service fee of a maximum of \$2.00 for each cash purchase transaction.

Automatic Cash Withdrawal Plan. Stockholders who hold common shares with a market value of \$5,000 or more may elect to receive a fixed amount from their investment at regular intervals by selling their shares to the Corporation.

Traditional Individual Retirement Account (IRA). Stockholders who have earned income and are under age 70 ¹/₂ may contribute up to \$3,000 per year to a Traditional IRA for 2004. A working or non-working spouse may also contribute up to \$3,000 to a separate Traditional IRA for 2004. Additionally, individuals who reach age 50 prior to the end of a taxable year may make "catch-up contributions" to a Traditional IRA of up to \$500 (increasing to \$1,000 for years beginning after 2005). Contributions to a Traditional IRA may be deductible or non-deductible. If you are single and *not* covered by an employer's retirement plan, your contribution will always be deductible. For individuals who are covered by a plan, contributions will be fully deductible if your modified adjusted gross income (MAGI) in 2004 is less than \$45,000. For spouses who are both covered by a plan, contributions will be fully deductible if your MAGI is less than \$65,000. If one spouse does not work or is not covered by a retirement plan, that spouse's contribution will be fully deductible provided your household MAGI does not exceed \$150,000. If your contribution is not deductible, you may still take advantage of the tax-deferred accumulation of earnings in your Traditional IRA.

Rollover IRA. You may be eligible to roll over a distribution of assets received from another IRA, a qualified employee benefit plan, or tax-deferred annuity into a Rollover IRA with Tri-Continental. To avoid a tax penalty, the transfer to a Rollover IRA must occur within 60 days of receipt of the qualifying distribution. If you do not make a direct transfer of a distribution from a qualified employee benefit plan or a tax-deferred annuity to a Rollover IRA, the payor of the distribution must withhold 20% of the distribution.

Roth IRA. You (and a working or non-working spouse) may each make an after-tax contribution of up to \$3,000 per year to a Roth IRA provided you have earned income and meet the eligibility requirements. Your MAGI must be less than \$95,000 (individuals) or \$150,000 (married couples) to be eligible to make a full contribution to a Roth IRA. You are eligible to make a partial Roth IRA contribution if your MAGI is below \$110,000 (individuals) or \$160,000 (married couples). Total combined contributions to a Roth IRA and a Traditional IRA cannot exceed \$3,000 in any year. Additionally, individuals who reach age 50 prior to the end of a taxable year may make "catch-up contributions" to either a Roth IRA or Traditional IRA of up to \$500 (increasing to \$1,000 for years beginning after 2005). Earnings grow tax-free and will be distributed to you tax-free and penalty-free provided that you hold your account for at least five years **and** you take the distribution either after age 59 ¹/₂, for disability, upon death, or to make a first-time home purchase (up to \$10,000). Unlike

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Tri-Continental Corporation

Stockholder Services (continued)

a Traditional IRA, you may contribute to a Roth IRA even if you are over age 70¹/₂ (if you have earned income), and you are not required to take minimum distributions at age 70¹/₂. You may convert an existing Traditional IRA to a Roth IRA to take advantage of tax-free distributions. You must pay taxes on any earnings and deductible contributions in your Traditional IRA when converting it to a Roth IRA. Talk to your financial advisor for more details on converting your Traditional IRA.

Retirement Planning – Qualified Plans. Unincorporated businesses and the self-employed may take advantage of the same benefits in their retirement plans that are available to corporations. Contribution levels can go as high as 100% of earned income (reduced by plan contributions), to a maximum of \$41,000 per participant. For retirement plan purposes, no more than \$205,000 may be taken into account as earned income under the plan in 2004. Social Security integration and employee vesting schedules are also available as options in the Tri-Continental prototype retirement plans. Although you already may be participating in an employer's retirement plan, you may be eligible to establish another plan based upon income from other sources, such as director's fees.

Retirement Plan Services provides information about our prototype retirement plans. The toll-free telephone number is (800) 445-1777 in the US and (212) 682-7600 outside the US.

Gifts Free of Federal Tax are often made using Tri-Continental Common Stock. You may give as much as \$11,000 a year to as many individuals as desired free of federal gift tax, and a married couple may give up to \$22,000 a year.

Stock Repurchase Program. On November 20, 2003, the Board of Directors authorized the renewal of Tri-Continental's ongoing share repurchase program. The program authorizes the Corporation to repurchase up to 5.0% of the Corporation's shares over a 12-month period, provided that the discount of a share's market price to its net asset value (NAV) remains greater than 10%. The stock repurchase plan seeks, among other things, to moderate the growth in the number of shares outstanding, increase the net asset value of outstanding shares, reduce the dilutive impact on Stockholders who do not take capital gains distributions in additional shares, and increase the liquidity of Tri-Continental's common stock.

Between November 20, 2003 and September 30, 2004, 5.2 million shares were repurchased. This is approximately 4.4% of the shares outstanding at the beginning of the period. The repurchase of additional shares is expected to continue through November 2004, as long as the discount remains above 10%.

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Tri-Continental Corporation

Board of Directors

Robert B. Catell (2,3)

Chairman, Chief Executive Officer and Director
KeySpan Corporation

William C. Morris

Chairman, J. & W. Seligman & Co. Incorporated
Chairman, Carbo Ceramics Inc.

John R. Galvin (1,3)

Dean Emeritus, Fletcher School of Law and
Diplomacy at Tufts University

Leroy C. Richie (1,3)

Chairman and Chief Executive Officer,
Q Standards Worldwide, Inc.
Director, Kerr-McGee Corporation

Alice S. Ilchman (2,3)

President Emerita, Sarah Lawrence College
Director, Jeannette K. Watson Summer Fellowship
Trustee, Committee for Economic Development

Robert L. Shafer (2,3)

Retired Vice President, Pfizer Inc.

Frank A. McPherson (2,3)

*Retired Chairman of the Board and Chief Executive Officer, Kerr-McGee Corporation
Director, ConocoPhillips
Director, Integris Health*

John E. Merow (1,3)

*Retired Chairman and Senior Partner, Sullivan & Cromwell LLP
Director, Commonwealth Industries, Inc.
Trustee, New York-Presbyterian Hospital*

Betsy S. Michel (1,3)

Trustee, The Geraldine R. Dodge Foundation

James N. Whitson (1,3)

*Retired Executive Vice President and Chief Operating Officer, Sammons Enterprises, Inc.
Director, CommScope, Inc.*

Brian T. Zino

*Director and President, J. & W. Seligman & Co. Incorporated
Chairman, Seligman Data Corp.
Director, ICI Mutual Insurance Company
Member of the Board of Governors, Investment Company Institute*

Member: (1) Audit Committee

(2) Director Nominating Committee

(3) Board Operations Committee

Tri-Continental Corporation

Executive Officers

William C. Morris

Chairman

Brian T. Zino

President and Chief Executive Officer

John B. Cunningham

Vice President

Eleanor T. Hoagland

Vice President

Charles W. Kadlec

Vice President

Thomas G. Rose

Vice President

Lawrence P. Vogel

Vice President and Treasurer

Frank J. Nasta

Secretary

For More Information

Manager

J. & W. Seligman & Co. Incorporated
100 Park Avenue
New York, NY 10017

Stockholder Service Agent

Seligman Data Corp.
100 Park Avenue
New York, NY 10017

Important Telephone Numbers

| | |
|-----------------|---------------------------|
| (800) | Stockholder Services |
| TRI-1092 | |
| (800) | Retirement Plan Services |
| 445-1777 | |
| (212) | Outside the United States |
| 682-7600 | |
| (800) | 24-Hour Automated |
| 622-4597 | Telephone Access Service |

Proxy Voting

A description of the policies and procedures used by the Corporation to determine how to vote proxies relating to portfolio securities, as well as information regarding how the Corporation voted proxies relating to portfolio securities during the most recent 12-month period ended June 30, is available to Stockholders (i) without charge, upon request, by calling toll-free 800-221-2450 in the US or collect 212-682-7600 outside the US and (ii) on the SEC's website at www.sec.gov.

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J. & W. SELIGMAN & CO.
INCORPORATED
INVESTMENT MANAGERS AND
ADVISORS
ESTABLISHED 1864

*100 Park Avenue, New York, NY
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**This report is intended only
for the information of
Stockholders or those who
have received the current
prospectus covering shares of
Common Stock of
Tri-Continental Corporation,
which contains information
about management fees and
other costs.**

CETRI3c 9/04
