Profit (Loss) by Segment				
(Millions of dollars)	**2018**	**2017**	**$ Change**	**% Change**
Construction Industries	$ 4,174	$ 3,255	$ 919	28 %
Resource Industries	1,603	698	905	130 %
Energy & Transportation	3,938	2,856	1,082	38 %
All Other Segments	23	(44)	67	152 %
Corporate Items and Eliminations	(1,583)	(2,659)	1,076	
Machinery, Energy & Transportation	8,155	4,106	4,049	99 %
Financial Products Segment	505	792	(287)	(36)%
Corporate Items and Eliminations	17	(116)	133	
Financial Products	522	676	(154)	(23)%
Consolidating Adjustments	(384)	(322)	(62)	
Consolidated Operating Profit	$ 8,293	$ 4,460	$ 3,833	86 %

Other Profit/Loss Items

- **Other income/expense** in 2018 was expense of $67 million, compared with income of $153 million in 2017. The unfavorable change was primarily a result of an unfavorable impact from equity securities in Insurance Services. Effective January 1, 2018, we adopted a new U.S. GAAP accounting rule that requires our equity securities to be measured at fair value through earnings. Previously, the fair value adjustments for these securities were reported in equity until the securities were sold or an impairment was recognized. We adopted the standard using the modified retrospective approach, with no change to prior year financial statements. During 2018, we recognized a loss of $33 million related to fair value adjustments. During 2017, we recognized gains on sales of securities of $104 million. In addition, the absence of a 2017 pretax gain of $85 million on the sale of Caterpillar's equity investment in IronPlanet contributed to the unfavorable change.

- The **provision for income taxes** for 2018 reflects an annual effective tax rate of 24.1 percent, compared with 27.7 percent for the full year of 2017, excluding the items discussed below. The decrease was primarily due to the reduction in the U.S. corporate tax rate beginning January 1, 2018, along with other changes in the geographic mix of profits from a tax perspective.

  We have completed our accounting for the income tax effects of U.S. tax reform legislation and included measurement period adjustments in 2018 of $104 million to reduce the provisionally estimated charge of $2.371 billion recognized in 2017. A $154 million benefit revised the estimated impact of the write-down of U.S. net deferred tax assets to reflect the reduction in the U.S. corporate tax rate from 35 percent to 21 percent. This benefit primarily related to the decision to make an additional discretionary pension contribution of $1.0 billion to U.S. pension plans in 2018 which was treated as deductible on the 2017 U.S. tax return. A $50 million charge revised the provisionally estimated cost of a mandatory deemed repatriation of non-U.S. earnings, including changes in the deferred tax liability related to the amount of earnings considered not indefinitely reinvested as well as the amount of unrecognized tax benefits and state tax liabilities associated with these tax positions.

  The provision for income taxes in 2018 and 2017 also included non-cash benefits of $63 million and $111 million, respectively, from reductions in the valuation allowance against U.S. state deferred tax assets due to improved profits in the United States. An additional benefit of $25 million was included in 2018 due to the release of a valuation allowance for a certain non-U.S. subsidiary. The provision for income taxes in 2018 also included a charge of $59 million to correct for an error which resulted in an understatement of the valuation allowance offsetting deferred tax assets for prior years. This error had the effect of overstating profit by $17 million and $33 million for 2017 and 2016, respectively. Management has concluded that the error was not material to any period presented. In addition, a tax benefit of $56 million was recorded in 2018, compared with $64 million in 2017, for the settlement of stock-based compensation awards with associated tax deductions in excess of cumulative U.S. GAAP compensation expense.

  We expect the annual effective tax rate will be higher in 2019. The anticipated increase primarily relates to the application of U.S. tax reform provisions to earnings of non-U.S. subsidiaries which do not have a calendar fiscal year end. Certain provisions did not apply to these subsidiaries in 2018.