UBS AG
Form 424B2
October 09, 2018

Filed Pursuant to Rule 424(b)(2)

Registration Statement No. 333-204908

FINAL TERMS SUPPLEMENT

(To Prospectus dated April 29, 2016,
Product Supplement dated May 2,
2016 and Prospectus Supplement
dated May 2, 2016)

Final Terms Supplement

UBS AG Trigger Phoenix Autocallable Optimization Securities

UBS AG $625,000.00 Securities Linked to the common stock of Deere & Company due on April 15, 2020

Final Terms

Issuer	UBS AG, London Branch
Principal Amount	$10.00 per security. The Securities are offered at a minimum investment of 100 Securities at $10.00 per Security (representing a $1,000 investment) and integral multiples of $10.00 in excess thereof.
Term	Approximately 18 months, unless called earlier.
Underlying Equity	The common stock of Deere & Company
Contingent Coupon	If the closing price of the underlying equity is equal to or greater than the coupon barrier on any observation date, UBS will pay you the contingent coupon applicable to such observation date. If the closing price of the underlying equity is less than the coupon barrier on any observation date, the contingent coupon applicable to such observation date will not be payable and UBS will not make any payment to you on the relevant coupon payment date. The contingent coupon will be a fixed amount based upon equal bi-monthly installments at the per annum contingent coupon rate. Contingent coupons are not guaranteed and UBS will not pay you the contingent coupon for any observation date on which the closing price of the underlying equity is less than the coupon barrier. The table below reflects the contingent coupon rate of 9.01% per annum. Amounts in the table below may have been rounded for ease of analysis.

Observation Date*	Contingent Coupon (per security)
10-Dec-2018	$0.1502

11-Feb-2019	$0.1502
09-Apr-2019	$0.1502
10-Jun-2019	$0.1502
09-Aug-2019	$0.1502
09-Oct-2019	$0.1502
09-Dec-2019	$0.1502
10-Feb-2020	$0.1502
09-Apr-2020	$0.1502

*Observation dates are subject to the market disruption event provisions set forth in the Trigger Phoenix Autocallable Optimization Securities product supplement ("TPAOS product supplement").

Contingent Coupon Rate	9.01% per annum (or approximately 1.502% per outstanding two months).
Automatic Call Feature	The Securities will be called automatically if the closing price of the underlying equity on any observation date is equal to or greater than the initial price. If the Securities are called on any observation date, UBS will pay you on the corresponding coupon payment date a cash payment per Security equal to your principal amount plus the contingent coupon otherwise due on such date pursuant to the contingent coupon feature. No further amounts will be owed to you under the Securities.
Payment at Maturity (per Security)	If the Securities are not called and the final price is equal to or greater than the trigger price and coupon barrier, UBS will pay you a cash payment per Security on the maturity date equal to your principal plus the contingent coupon otherwise due on the maturity date. If the Securities are not called and the final price is less than the trigger price, UBS will pay you a cash payment on the maturity date of significantly less than the principal amount, if anything, resulting in a loss of principal that is proportionate to the decline of the underlying equity, for an amount equal to $10 + ($10 x underlying return).
Underlying Return	$\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$
Closing Price	On any trading day, the last reported sale price (or, in the case of NASDAQ, the official closing price) of the underlying equity during the principal trading session on the principal national securities exchange on which it is listed for trading, as determined by the calculation agent.

Initial Price	$150.45, which is the closing price of the underlying equity on the trade date. The initial price is subject to adjustments in the case of certain corporate events, as described in the TPAOS product supplement.
Trigger Price/Coupon Barrier	$112.09, which is 74.50% of the initial price of the underlying equity. The trigger price and coupon barrier are subject to adjustments in the case of certain corporate events, as described in the TPAOS product supplement.
Final Price	The closing price of the underlying equity on the final valuation date. The final price is subject to adjustment in the case of certain corporate events, as described in the TPAOS product supplement.
Trade Date	October 9, 2018
Settlement Date	October 11, 2018
Final Valuation Date	April 9, 2020 (subject to postponement in the event of a market disruption event, as described in the TPAOS product supplement)
Maturity Date	April 15, 2020 (subject to postponement in the event of a market disruption event, as described in the TPAOS product supplement)
Coupon Payment Dates	Three business days following each observation date, except the coupon payment date for the final valuation date will be the maturity date.
CUSIP	90285A823
ISIN	US90285A8238
Valoren	43899144
Tax Treatment	There is no tax authority that specifically addresses the tax treatment of the Securities. UBS and you agree, in the absence of a statutory, regulatory, administrative or judicial ruling to the contrary, to characterize the Securities as a pre-paid derivative contract with respect to the underlying equity and to treat any contingent coupon received by you (including on maturity or upon automatic call) as ordinary income in accordance with your regular method of accounting. Under this characterization you should generally recognize capital gain or loss upon the sale, automatic call, redemption or maturity of your Securities in an amount equal to the amount you receive at such time (other than with respect to any contingent coupon) and the amount that you paid for your Securities. *Section 871(m).* A 30% withholding tax (which may be reduced by an applicable income tax treaty) is imposed on certain "dividend equivalent payments" made to a non-U.S. holder with respect to a "specified equity-linked instrument" that references one or more dividend-paying U.S. equity securities. The withholding tax can apply even if the instrument does not provide for payments that reference dividends. Treasury regulations provide that the withholding tax applies to all dividend equivalent payments made on specified equity-linked instruments issued after 2016. However, on December 2, 2016, the IRS issued Notice 2016-76, which states that the Treasury Department and the IRS intend to amend the applicability dates of the Treasury regulations to provide that the withholding tax will apply to all dividend equivalent payments made on specified equity-linked instruments that have a delta of one ("delta one specified equity-linked instruments") issued after 2016 and to all dividend equivalent payments made on all specified equity-linked instruments issued after 2017. We have determined that the Securities are not delta one specified equity-linked instruments and, therefore, will not be subject to withholding on dividend equivalent payments. However, it is possible that the Securities could be deemed to be reissued for tax purposes upon the occurrence of certain events affecting the Securities or the underlying equity, and following such occurrence the Securities could be treated as delta one specified equity-linked instruments that are subject to withholding on dividend equivalent payments. It is also possible that withholding tax or other Section 871(m) tax could apply to the Securities under these rules if a non-U.S. holder enters, or has entered, into certain other transactions in respect of the underlying

equity or the Securities. **Because of the uncertainty regarding the application of the 30% withholding tax on dividend equivalent payments to the Securities, non-U.S. holders are urged to consult their tax advisor regarding the potential application of Section 871(m) (including in the context of their other transactions in respect of the underlying equity or the Securities, if any) and the 30% withholding tax to an investment in the Securities.**

For greater detail and possible alternative tax treatments please see the section entitled "What Are the Tax Consequences of the Securities?" on page 12 of the prospectus supplement and the section entitled "Supplemental U.S. Tax Considerations" beginning on page PS-47 of the TPAOS product supplement.

The estimated initial value of the Securities as of the trade date is $9.71 for Securities linked to the underlying equity. The estimated initial value of the Securities was determined as of the close of the relevant markets on the date of this final terms supplement by reference to UBS' internal pricing models, inclusive of the internal funding rate. For more information about secondary market offers and the estimated initial value of the Securities, see "Key Risks - Fair value considerations" and "Key Risks - Limited or no secondary market and secondary market price considerations" in this final terms supplement.

Notice to investors: the Securities are significantly riskier than conventional debt instruments. The issuer is not necessarily obligated to repay the full principal amount of the Securities at maturity, and the Securities can have downside market risk similar to the underlying equity. This market risk is in addition to the credit risk inherent in purchasing a debt obligation of UBS. You should not purchase the Securities if you do not understand or are not comfortable with the significant risks involved in investing in the Securities.

You should carefully consider the risks described under "Key Risks" in this final terms supplement, under "Key Risks" beginning on page 3 of the prospectus supplement and under ''Risk Factors'' beginning on page PS-15 of the TPAOS product supplement before purchasing any Securities. Events relating to any of those risks, or other risks and uncertainties, could adversely affect the market value of, and the return on, your Securities. You may lose some or all of your initial investment in the Securities. The Securities will not be listed or displayed on any securities exchange or any electronic communications network.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these Securities or passed upon the adequacy or accuracy of this final terms supplement, the previously delivered prospectus supplement, the TPAOS product supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The Securities are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

See "Additional Information about UBS and the Securities" in this final terms supplement. The Securities we are offering will have the terms set forth in the Prospectus Supplement dated May 2, 2016 relating to the Securities, the TPAOS product supplement, the accompanying prospectus and this final terms supplement.

Offering of Securities	**Issue Price to Public**		**Underwriting Discount**		**Proceeds to UBS AG**	
	Total	**Per Security**	**Total**	**Per Security**	**Total**	**Per Security**

Deere & Company	$625,000.00	$10.00	$9,375.00	$0.15	$615,625.00	$9.85

UBS Financial Services Inc. **UBS Investment Bank**

Final Terms Supplement dated October 9, 2018

Additional Information About UBS and the Securities

UBS has filed a registration statement (including a prospectus, as supplemented by a product supplement and a prospectus supplement for the Securities) with the Securities and Exchange Commission, or SEC, for the offering for which this final terms supplement relates. Before you invest, you should read these documents and any other documents relating to the Securities that UBS has filed with the SEC for more complete information about UBS and this offering. You may obtain these documents for free from the SEC website at www.sec.gov. Our Central Index Key, or CIK, on the SEC website is 0001114446. Alternatively, UBS will arrange to send you these documents if you so request by calling toll-free 1-877-387-2275.

You may access these documents on the SEC website at www.sec.gov as follows:

- Prospectus supplement dated May 2, 2016:
  http://www.sec.gov/Archives/edgar/data/1114446/000119312516571174/d164032d424b2.htm
- TPAOS product supplement dated May 2, 2016:
  http://www.sec.gov/Archives/edgar/data/1114446/000119312516570716/d186374d424b2.htm
- Prospectus dated April 29, 2016:
  http://www.sec.gov/Archives/edgar/data/1114446/000119312516569341/d161008d424b3.htm

References to "UBS," "we," "our" and "us" refer only to UBS AG and not to its consolidated subsidiaries. In this document, "Trigger Phoenix Autocallable Optimization Securities" or the "Securities" refer to the Securities that are offered hereby. Also, references to the "prospectus supplement" mean the UBS prospectus supplement, dated May 2, 2016, references to "TPAOS product supplement" mean the UBS product supplement, dated May 2, 2016, relating to the Securities generally, and references to the "accompanying prospectus" mean the UBS prospectus titled "Debt Securities and Warrants", dated April 29, 2016.

This final terms supplement, together with the documents listed above, contains the terms of the Securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in "Key Risks" and in "Risk Factors" in the TPAOS product supplement, as the Securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before deciding to invest in the Securities.

UBS reserves the right to change the terms of, or reject any offer to purchase, the Securities prior to their issuance. In the event of any changes to the terms of the Securities, UBS will notify you and you will be asked to accept such

changes in connection with your purchase. You may also choose to reject such changes in which case UBS may reject your offer to purchase.

Key Risks

An investment in the Securities involves significant risks. Some of the risks that apply to the Securities are summarized here and are comparable to the corresponding risks discussed in the "Key Risks" section of the prospectus supplement, but we urge you to read the more detailed explanation of risks relating to the Securities generally in ‘‘Risk Factors’’ section of the TPAOS product supplement. We also urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Securities.

- **Risk of loss at maturity -** The Securities differ from ordinary debt securities in that UBS will not necessarily pay the full principal amount of the Securities at maturity. If the Securities are not called, UBS will repay you the principal amount of your Securities in cash only if the final price of the underlying equity is greater than or equal to the trigger price and will only make such payment at maturity. If the Securities are not called and the final price is less than the trigger price, you will be fully exposed to the negative underlying return and lose some or all of your initial investment in an amount proportionate to the decline in the price of the underlying equity.
- **The contingent repayment of your principal applies only at maturity -** You should be willing to hold your Securities to maturity. If you are able to sell your Securities prior to maturity in the secondary market, you may have to sell them at a loss relative to your initial investment even if the underlying equity price is above the trigger price.
- **You may not receive any contingent coupons -** UBS will not necessarily pay periodic contingent coupons on the Securities. If the closing price of the underlying equity on an observation date is less than the coupon barrier, UBS will not pay you the contingent coupon applicable to such observation date. If the closing price of the underlying equity is less than the coupon barrier on each of the observation dates, UBS will not pay you any contingent coupons during the term of, and you will not receive a positive return on, your Securities. Generally, this non-payment of the contingent coupon coincides with a period of greater risk of principal loss on your Securities.
- **Your potential return on the Securities is limited and you will not participate in any appreciation of the underlying equity** - The return potential of the Securities is limited to the contingent coupon rate, regardless of the appreciation of the underlying equity. In addition, the total return on the Securities will vary based on the number of observation dates on which the requirements of the contingent coupon have been met prior to maturity or an automatic call. Further, if the Securities are called due to the automatic call feature, you will not receive any contingent coupons or any other payment in respect of any observation dates after the applicable call settlement date. Since the Securities could be called as early as the first observation date, the total return on the Securities could be minimal. If the Securities are not called, you

will not participate in any appreciation in the price of the underlying equity even though you will be subject to the underlying equity's risk of decline. As a result, the return on an investment in the Securities could be less than the return on a direct investment in the underlying equity.

- **Higher contingent coupon rates are generally associated with a greater risk of loss -** Greater expected volatility with respect to the underlying equity reflects a higher expectation as of the trade date that the price of such underlying equity could close below its trigger price on the final valuation date of the Securities. This greater expected risk will generally be reflected in a higher contingent coupon rate for that Security. However, an underlying equity's volatility can change significantly over the term of the Securities and the price of the underlying equity for your Securities could fall sharply, which could result in a significant loss of principal.
- **Reinvestment risk -** The Securities will be called automatically if the closing price of the underlying equity is equal to or greater than the initial price on any observation date. In the event that the Securities are called prior to maturity, there is no guarantee that you will be able to reinvest the proceeds from an investment in the Securities at a comparable rate of return for a similar level of risk. To the extent you are able to reinvest such proceeds in an investment comparable to the Securities, you will incur transaction costs and the original issue price for such an investment is likely to include certain built-in costs such as dealer discounts and hedging costs.
- **Credit risk of UBS -** The Securities are unsubordinated, unsecured debt obligations of the issuer, UBS, and are not, either directly or indirectly, an obligation of any third party. Any payment to be made on the Securities, including any repayment of principal, depends on the ability of UBS to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of UBS may affect the market value of the Securities and, in the event UBS were to default on its obligations, you may not receive any amounts owed to you under the terms of the Securities and you could lose your entire investment.
- **Market risk** - The price of the underlying equity can rise or fall sharply due to factors specific to that underlying equity and (i) in the case of common stock or American depositary shares, its issuer (the "underlying equity issuer") or (ii) in the case of an exchange traded fund, the securities, futures contracts or physical commodities constituting the assets of that underlying equity. These factors include price volatility, earnings, financial conditions, corporate, industry and regulatory developments, management changes and decisions and other events, as well as general market factors, such as general market volatility and levels, interest rates and economic and political conditions. You, as an investor in the Securities, should make your own investigation into the underlying equity issuer and the underlying equity for your Securities. **We urge you to review financial and other information filed periodically by the underlying equity issuer with the SEC.**

- **Fair value considerations.**

- **The issue price you pay for the Securities exceeds their estimated initial value** - The issue price you pay for the Securities exceeds their estimated initial value as of the trade date due to the inclusion in the issue price of the underwriting discount, hedging costs, issuance costs and projected profits. As of the close of the relevant markets on the trade date, we determined the estimated initial value of the Securities by reference to our internal pricing

models and it is set forth in this final terms supplement. The pricing models used to determine the estimated initial value of the Securities incorporate certain variables, including the price, volatility and expected dividends on the underlying equity, prevailing interest rates, the term of the Securities and our internal funding rate. Our internal funding rate is typically lower than the rate we would pay to issue conventional fixed or floating rate debt securities of a similar term. The underwriting discount, hedging costs, issuance costs, projected profits and the difference in rates will reduce the economic value of the Securities to you. Due to these factors, the estimated initial value of the Securities as of the trade date is less than the issue price you pay for the Securities.

- **The estimated initial value is a theoretical price; the actual price that you may be able to sell your Securities in any secondary market (if any) at any time after the trade date may differ from the estimated initial value** - The value of your Securities at any time will vary based on many factors, including the factors described above and in "- Market risk" above and is impossible to predict. Furthermore, the pricing models that we use are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect. As a result, after the trade date, if you attempt to sell the Securities in the secondary market, the actual value you would receive may differ, perhaps materially, from the estimated initial value of the Securities determined by reference to our internal pricing models. The estimated initial value of the Securities does not represent a minimum or maximum price at which we or any of our affiliates would be willing to purchase your Securities in any secondary market at any time.
- **Our actual profits may be greater or less than the differential between the estimated initial value and the issue price of the Securities as of the trade date** - We may determine the economic terms of the Securities, as well as hedge our obligations, at least in part, prior to pricing the Securities on the trade date. In addition, there may be ongoing costs to us to maintain and/or adjust any hedges and such hedges are often imperfect. Therefore, our actual profits (or potentially, losses) in issuing the Securities cannot be determined as of the trade date and any such differential between the estimated initial value and the issue price of the Securities as of the trade date does not reflect our actual profits. Ultimately, our actual profits will be known only at the maturity of the Securities.

- **Limited or no secondary market and secondary market price considerations.**

- **There may be little or no secondary market for the Securities** - The Securities will not be listed or displayed on any securities exchange or any electronic communications network. There can be no assurance that a secondary market for the Securities will develop. UBS Securities LLC and its affiliates may make a market in each offering of the Securities, although they are not required to do so and may stop making a market at any time. If you are able to sell your Securities prior to maturity, you may have to sell them at a substantial loss. The estimated initial value of the Securities does not represent a minimum or maximum price at which we or any of our affiliates would be willing to purchase your Securities in any secondary market at any time.
- **The price at which UBS Securities LLC and its affiliates may offer to buy the Securities in the secondary market (if any) may be greater than UBS' valuation of the Securities at that time, greater than any other secondary market prices provided by unaffiliated dealers (if any) and, depending on your broker, greater than the valuation provided on your customer account statements** - For a limited period of time following the issuance of the Securities, UBS Securities LLC or its affiliates may offer to buy or sell such Securities at a price that exceeds (i) our valuation of the Securities at that time

based on our internal pricing models, (ii) any secondary market prices provided by unaffiliated dealers (if any) and (iii) depending on your broker, the valuation provided on customer account statements. The price that UBS Securities LLC may initially offer to buy such Securities following issuance will exceed the valuations indicated by our internal pricing models due to the inclusion for a limited period of time of the aggregate value of the underwriting discount, hedging costs, issuance costs and theoretical projected trading profit. The portion of such amounts included in our price will decline to zero on a straight line basis over a period ending no later than the date specified under "Supplemental Plan of Distribution (Conflicts of Interest); Secondary Markets (if any)." Thereafter, if UBS Securities LLC or an affiliate makes secondary markets for the Securities, it will do so at prices that reflect our estimated value determined by reference to our internal pricing models at that time. The temporary positive differential relative to our internal pricing models arises from requests from and arrangements made by UBS Securities LLC with the selling agents of structured debt securities such as the Securities. As described above, UBS Securities LLC and its affiliates are not required to make a market for the Securities and may stop making a market at any time. The price at which UBS Securities LLC or an affiliate may make secondary markets at any time (if at all) will also reflect its then current bid-ask spread for similar sized trades of structured debt securities. UBS Financial Services Inc. and UBS Securities LLC reflect this temporary positive differential on their customer statements. Investors should inquire as to the valuation provided on customer account statements provided by unaffiliated dealers.

- **Price of Securities prior to maturity** - The market price of the Securities will be influenced by many unpredictable and interrelated factors, including the price of the underlying equity; the volatility of the underlying equity; the dividend rate paid on the underlying equity; the time remaining to the maturity of the Securities; interest rates in the markets; geopolitical conditions and economic, financial, political, force majeure and regulatory or judicial events; the creditworthiness of UBS and the then current bid-ask spread for the Securities.
- **Impact of fees and the use of internal funding rates rather than secondary market credit spreads on secondary market prices** - All other things being equal, the use of the internal funding rates described above under "- Fair value considerations" as well as the inclusion in the issue price of the underwriting discount, hedging costs, issuance costs and any projected profits are, subject to the temporary mitigating effect of UBS Securities LLC's and its affiliates' market making premium, expected to reduce the price at which you may be able to sell the Securities in any secondary market.

- **Owning the Securities is not the same as owning the underlying equity -** The return on your Securities may not reflect the return you would realize if you actually owned the underlying equity. For instance, you will not receive or be entitled to receive any dividend payments or other distributions on the underlying equity over the term of your Securities. Furthermore, the underlying equity may appreciate substantially during the term of your Securities and you will not participate in such appreciation.
- **No assurance that the investment view implicit in the Securities will be successful -** It is impossible to predict whether and the extent to which the price of the underlying equity will rise or fall. The price of the underlying equity will be influenced by complex and interrelated political, economic, financial and other factors that affect the issuer of the underlying equity. You should be willing to accept the risks of owning equities in general and the

underlying equity in particular, and the risk of losing some or all of your initial investment.

- **There is no affiliation between the underlying equity issuer, or for Securities linked to exchange traded funds, the issuers of the constituent stocks comprising the underlying equity (the "underlying equity constituent stock issuers"), and UBS, and UBS is not responsible for any disclosure by such issuer(s)** - We and our affiliates may currently, or from time to time in the future engage in business with the underlying equity issuer or, if applicable, any underlying equity constituent stock issuers. However, we are not affiliated with the underlying equity issuer or any underlying equity constituent stock issuers and are not responsible for such issuer's public disclosure of information, whether contained in SEC filings or otherwise. You, as an investor in the Securities, should make your own investigation into the underlying equity issuer or, if applicable, each underlying equity constituent stock issuer. Neither the underlying equity issuer nor any underlying equity constituent stock issuer is involved in the Securities offered hereby in any way and has no obligation of any sort with respect to your Securities. Such issuer(s) have no obligation to take your interests into consideration for any reason, including when taking any corporate actions that might affect the value of your Securities.
- **The calculation agent can make adjustments that affect the payment to you at maturity-** For certain corporate events affecting the underlying equity, the calculation agent may make adjustments to the initial price, the coupon barrier, the trigger price and/or the final price of the underlying equity. However, the calculation agent will not make an adjustment in response to all events that could affect the underlying equity. If an event occurs that does not require the calculation agent to make an adjustment, the value of the Securities may be materially and adversely affected. In addition, all determinations and calculations concerning any such adjustments will be made by the calculation agent. You should be aware that the calculation agent may make any such adjustment, determination or calculation in a manner that differs from that discussed in the TPAOS product supplement as necessary to achieve an equitable result. In the case of common stock or American depositary shares, following certain corporate events relating to the issuer of the underlying equity where the issuer is not the surviving entity, the amount of cash you receive at maturity may be based on the common stock or American depositary share of a successor to the underlying equity issuer in combination with any cash or any other assets distributed to holders of the underlying equity in such corporate event. Additionally, if the issuer of the underlying equity becomes subject to (i) a reorganization event whereby the underlying equity is exchanged solely for cash, (ii) a merger or consolidation with UBS or any of its affiliates or (iii) an underlying equity is delisted or otherwise suspended from trading, the amount you receive at maturity may be based on the common stock or American depositary shares issued by another company. In the case of an exchange traded fund, following a suspension from trading or if an exchange traded fund is discontinued, the amount you receive at maturity may be based on a share of another exchange traded fund. The occurrence of these corporate events and the consequent adjustments may materially and adversely affect the value of the Securities. For more information, see the section "General Terms of the Securities — Antidilution Adjustments" beginning on page PS-34 of the TPAOS product supplement. Regardless of any of the events discussed above, any payment on the Securities is subject to the creditworthiness of UBS.
- **Potential UBS impact on the market price of the underlying equity** - Trading or transactions by UBS or its affiliates in the underlying equity and/or over-the-counter options, futures or other instruments with returns linked to the performance of the underlying equity may adversely affect the market price of the underlying equity and, therefore, the market value of your Securities.
- **Potential conflict of interest -** UBS and its affiliates may engage in business with the issuer of the underlying equity, which may present a conflict between the obligations of UBS and you, as a holder of the Securities. There are also potential conflicts of interest between you and the calculation agent, which will be an affiliate of UBS. The calculation agent will determine whether the final price is below the trigger price and accordingly the payment at maturity on your Securities. The calculation agent may also postpone the determination of the final price and the maturity date if a market disruption event occurs and is continuing on the final valuation date and may make adjustments to the initial price, the trigger price, the coupon barrier, the final price and/or the underlying equity itself for certain corporate events affecting the underlying equity. For more information, see the section "General Terms of the Securities — Antidilution Adjustments" beginning on page PS-34 of the TPAOS product supplement. As UBS determines the economic terms of the Securities, including the contingent coupon rate, trigger price and coupon barrier, and such terms include hedging costs, issuance costs and projected profits, the Securities represent a package of economic terms. There are other potential conflicts of interest insofar as an investor could potentially get

better economic terms if that investor entered into exchange-traded and/or OTC derivatives or other instruments with third parties, assuming that such instruments were available and the investor had the ability to assemble and enter into such instruments.

- **Potentially inconsistent research, opinions or recommendations by UBS -** UBS and its affiliates publish research from time to time on financial markets and other matters that may influence the value of the Securities, or express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. Any research, opinions or recommendations expressed by UBS or its affiliates may not be consistent with each other and may be modified from time to time without notice. Investors should make their own independent investigation of the merits of investing in the Securities and the underlying equity to which the Securities are linked.
- **The Securities are not bank deposits:** An investment in the Securities carries risks which are very different from the risk profile of a bank deposit placed with UBS or its affiliates. The Securities have different yield and/or return, liquidity and risk profiles and would not benefit from any protection provided to deposits.
- **Under certain circumstances, the Swiss Financial Market Supervisory Authority (FINMA) has the power to take actions that may adversely affect the Securities** - Pursuant to article 25 et seq. of the Swiss Banking Act, FINMA has broad statutory powers to take measures and actions in relation to UBS if it (i) is overindebted, (ii) has serious liquidity problems or (iii) fails to fulfill the applicable capital adequacy provisions after expiration of a deadline set by FINMA. If one of these prerequisites is met, the Swiss Banking Act grants significant discretion to FINMA to open restructuring proceedings or liquidation (bankruptcy) proceedings in respect of, and/or impose protective measures in relation to, UBS. In particular, a broad variety of protective measures may be imposed by FINMA, including a bank moratorium or a maturity postponement, which measures may be ordered by FINMA either on a stand-alone basis or in connection with restructuring or liquidation proceedings. In a restructuring proceeding, the resolution plan may, among other things, (a) provide for the transfer of UBS's assets or a portion thereof, together with debts and other liabilities, and contracts of UBS, to another entity, (b) provide for the conversion of UBS's debt and/or other obligations, including its obligations under the Securities, into equity, and/or (c) potentially provide for haircuts on obligations of UBS, including its obligations under the Securities. Although no precedent exists, if one or more measures under the revised regime were imposed, such measures may have a material adverse effect on the terms and market value of the Securities and/or the ability of UBS to make payments thereunder.
- **Dealer incentives -** UBS and its affiliates act in various capacities with respect to the Securities. We and our affiliates may act as a principal, agent or dealer in connection with the sale of the Securities. Such affiliates, including the sales representatives, will derive compensation from the distribution of the Securities and such compensation may serve as an incentive to sell these Securities instead of other investments. We will pay total underwriting compensation of 1.50% per Security to any of our affiliates acting as agents or dealers in connection with the distribution of the Securities. Given that UBS Securities LLC and its affiliates temporarily maintain a market making premium, it may have the effect of discouraging UBS Securities LLC and its affiliates from recommending sale of your Securities in the secondary market.
- **Uncertain tax treatment -** Significant aspects of the tax treatment of the Securities are uncertain. You should read carefully the sections entitled "What are the Tax Consequences of the Securities" in the prospectus supplement and "Supplemental U.S. Tax Considerations" beginning on page PS-47 of the TPAOS product supplement and consult your tax advisor about your tax situation.

Information about the Underlying Equity

All disclosures regarding the underlying equity are derived from publicly available information. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the underlying equity. **You should make your own investigation into the underlying equity.**

The underlying equity will be registered under the Securities Exchange Act of 1934, as amended (the ''Exchange Act''). Companies with securities registered under the Exchange Act are required to file financial and other information specified by the SEC periodically. Information filed by the issuer of the underlying equity with the SEC can be

reviewed electronically through a website maintained by the SEC. The address of the SEC's website is http://www.sec.gov. Information filed with the SEC by the issuer of the underlying equity under the Exchange Act can be located by reference to its SEC file number provided below. In addition, information filed with the SEC can be inspected and copied at the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of this material can also be obtained from the Public Reference Section, at prescribed rates.

Deere & Company

According to publicly available information, Deere & Company, together with its subsidiaries ("Deere & Co.") operates in three business segments: Agriculture and Turf, Construction and Forestry and Financial Services. The Agriculture and Turf segment manufactures and distributes agriculture and turf equipment and related service parts. The Construction and Forestry segment manufactures and distributes machines and service parts used in construction, earthmoving, material handling and timber harvesting. The Financial Services segment finances sales and leases by Deere & Co. dealers of new and used agriculture and turf equipment and construction and forestry equipment and provides wholesale financing to dealers of the foregoing equipment, finances retail revolving charge accounts and offers extended equipment warranties. Information filed by Deere & Co. with the SEC can be located by reference to its SEC file number: 001-04121, or its CIK Code: 0000315189. Deere & Co.'s website is deere.com. Deere & Co.'s common stock is listed on the New York Stock Exchange under the ticker symbol "DE."

Information from outside sources is not incorporated by reference in, and should not be considered part of, this final terms supplement or any accompanying prospectus. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the underlying equity.

Historical Information

The following table sets forth the quarterly high and low closing prices for Deere & Co.'s common stock, based on daily closing prices on the primary exchange for Deere & Co.. We obtained the closing prices below from Bloomberg Professional service ("Bloomberg"), without independent verification. The closing prices may be adjusted by Bloomberg for corporate actions such as stock splits, public offerings, mergers and acquisitions, spin-offs, extraordinary dividends, delistings and bankruptcy. UBS has not undertaken an independent review or due diligence of any publicly available information obtained from Bloomberg. Deere & Co.'s closing price on October 9, 2018 was $150.45. **Past performance of the underlying equity is not indicative of the future performance of the underlying equity.**

Quarter Begin	Quarter End	Quarterly High	Quarterly Low	Quarterly Close
01/02/2014	03/31/2014	$90.80	$84.05	$90.80
04/01/2014	06/30/2014	$94.53	$89.95	$90.55
07/01/2014	09/30/2014	$91.38	$81.95	$81.99

10/01/2014	12/31/2014	$90.85	$80.01	$88.47
01/02/2015	03/31/2015	$92.75	$84.58	$87.69
04/01/2015	06/30/2015	$97.05	$87.51	$97.05
07/01/2015	09/30/2015	$97.33	$73.62	$74.00
10/01/2015	12/31/2015	$80.91	$72.89	$76.27
01/04/2016	03/31/2016	$85.68	$71.78	$76.99
04/01/2016	06/30/2016	$87.48	$75.75	$81.04
07/01/2016	09/30/2016	$88.09	$76.94	$85.35
10/03/2016	12/30/2016	$103.92	$84.70	$103.04
01/03/2017	03/31/2017	$111.22	$104.05	$108.86
04/03/2017	06/30/2017	$127.90	$107.54	$123.59

07/03/2017	09/29/2017	**Revenues**	**Percent**					
Lessee A		8,758	12%	5,246	9%	25,114	12%	15,916	10%
Lessee B		4,993	7%	6,553	12%	16,003	7%	14,910	9%

11. Incentive Plans

GP Natural Resource Partners LLC adopted the Natural Resource Partners Long-Term Incentive Plan (the Long-Term Incentive Plan) for directors of GP Natural Resource Partners LLC and employees of its affiliates who perform services for the Partnership. The Compensation, Nominating and Governance (CNG) Committee of GP Natural Resource Partners LLC s board of directors administers the Long-Term Incentive Plan. Subject to the rules of the exchange upon which the common units are listed at the time, the board of directors and the compensation committee of the board of directors have the right to alter or amend the Long-Term Incentive Plan or any part of the Long-Term Incentive Plan from time to time. Except upon the occurrence of unusual or nonrecurring events, no change in any outstanding grant may be made that would materially reduce the benefit intended to be made available to a participant without the consent of the participant.

Under the plan a grantee will receive the market value of a common unit in cash upon vesting. Market value is defined as the average closing price over the last 20 trading days prior to the vesting date. The CNG Committee may make grants under the Long-Term Incentive Plan to employees and directors containing such terms as it determines, including the vesting period. Outstanding grants vest upon a change in control of the Partnership, the general partner, or GP Natural Resource Partners LLC. If a grantee s employment or membership on the board of directors terminates

for any reason, outstanding grants will be automatically forfeited unless and to the extent the CNG Committee provides otherwise.

A summary of activity in the outstanding grants for the first nine months of 2008 are as follows:

Outstanding grants at the beginning of the period	507,466
Grants during the period	171,328
Grants vested and paid during the period	(105,230)
Forfeitures during the period	
Outstanding grants at the end of the period	573,564

Grants typically vest at the end of a four-year period and are paid in cash upon vesting. The liability fluctuates with the market value of the Partnership units and because of changes in estimated fair value determined each quarter using the Black-Scholes option valuation model. Risk free interest rates and volatility are reset at each calculation based on current rates corresponding to the remaining vesting term for each outstanding grant and ranged from 1.84% to 2.12% and 33.03% to 43.07%, respectively at September 30, 2008. The Partnership s historic distribution rate of 5.83% was used in the calculation at September 30, 2008. The Partnership recorded a reversal of expense during the third quarter of 2008 of $1.9 million due to drop in the average unit price. For the same period in 2007 the Partnership recorded expenses related to its plans to be reimbursed to its general partner of $0.2 million. The Partnership recorded expenses related to its plans of $2.1 million and $5.1 million for the nine months ended September 30, 2008 and 2007, respectively. In connection with the Long-Term Incentive Plan, payments are typically made during the first quarter of the year. Payments of $3.2 million and $5.8 million were paid during the nine month periods ended September 30, 2008 and 2007, respectively.

In connection with the phantom unit awards granted in February 2008, the CNG Committee also granted tandem Distribution Equivalent Rights, or DERs, which entitle the holders to receive distributions equal to the distributions paid on the Partnership s common units. The DERs are only applicable to the February 2008 awards that vest in 2012 and, at the discretion of the CNG Committee, may be included with awards granted in the future. The DERs are payable in cash upon vesting.

The unaccrued cost associated with the outstanding grants and related DERs at September 30, 2008 was $3.8 million.

12. Distributions

On August 14, 2008, the Partnership paid a cash distribution equal to $0.515 per unit to unitholders of record on August 1, 2008.

13. Subsequent Events

On October 15, 2008, the Partnership declared a third quarter 2008 distribution of $0.525 per unit. The distribution will be paid on November 14, 2008 to unitholders of record on November 3, 2008.

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

The following discussion of the financial condition and results of operations should be read in conjunction with the historical financial statements and notes thereto included elsewhere in this filing and the financial statements and footnotes included in the Natural Resource Partners L.P. Form 10-K, as filed on February 29, 2008.

Executive Overview

Our Business

We engage principally in the business of owning, managing and leasing coal properties in the three major coal-producing regions of the United States: Appalachia, the Illinois Basin and the Western United States. As of December 31, 2007, we owned or controlled approximately 2.1 billion tons of proven and probable coal reserves in eleven states, and 59% of our reserves were low sulfur coal. We lease coal reserves to experienced mine operators under long-term leases that grant the operators the right to mine and sell coal from our reserves in exchange for royalty payments.

Our revenue and profitability are dependent on our lessees ability to mine and market our coal reserves. Most of our coal is produced by large companies, many of which are publicly traded, with experienced and professional sales departments. A significant portion of our coal is sold by our lessees under coal supply contracts that have terms of one year or more. However, over the long term, our coal royalty revenues are affected by changes in the market price of coal.

In our coal royalty business, our lessees make payments to us based on the greater of a percentage of the gross sales price or a fixed royalty per ton of coal they sell, subject to minimum monthly, quarterly or annual payments. These minimum royalties are generally recoupable over a specified period of time (usually three to five years) if sufficient royalties are generated from coal production in those future periods. We do not recognize these minimum coal royalties as revenue until the applicable recoupment period has expired or they are recouped through production. Until recognized as revenue, these minimum royalties are recorded as deferred revenue, a liability on our balance sheet.

In addition to coal royalty revenues, we generated approximately 22% of our year to date revenues from other sources, compared to 20% for the same period in 2007. The increase represents our commitment to continuing to diversify our sources of revenue. These other sources include: aggregate royalties; coal processing and transportation fees; rentals; royalties on oil and gas; timber; overriding royalties; and wheelage payments.

Current Market Conditions and our Liquidity

Our business model depends in large part on our ability to make acquisitions and finance those acquisitions through the issuance of long-term debt or equity in the capital markets. As of September 30, 2008, we had in excess of $250 million in available capacity under our existing credit facility, as well as over $64 million in cash. However, given the number of potential acquisitions that we evaluate on a regular basis, we could use up this capacity in a short period of time. In the past, we have been able to pay down our credit line by issuing equity or long-term senior notes at attractive interest rates.

As a result of the global financial crisis, the cost of raising money in the debt and equity capital markets has increased substantially, while the availability of funds from those markets generally has greatly diminished. Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, and refused to refinance existing debt at maturity at all or on similar terms. Although the lenders under our credit facility have indicated to us that they intend to honor their commitments under the facility, we are aware of some cases in which lenders have refused to provide funding to borrowers in spite of existing commitments.

If funding is not available when needed, or is available only on unfavorable terms, we may be unable to complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our revenues, results of operations and quarterly distributions.

Current Results

As of September 30, 2008, our reserves were subject to 194 leases with 68 lessees. For the nine months ended September 30, 2008, our lessees produced 45.5 million tons of coal generating $167.5 million in coal royalty revenues from our properties, and our total revenues were $215.8 million.

Global and domestic prices for physical delivery of coal by our lessees continued to remain high during the nine months ended September 30, 2008, resulting in a substantial increase in our royalty per ton in Appalachia and the Illinois Basin over the same period in 2007. It is important to note that although commodity prices, including coal prices, have declined in the financial markets, our lessees have not seen a decline in prices for physical delivery of their coal.

Even though coal royalty revenues from our Appalachian properties represented 67% of our total revenues in the nine months ended September 30, 2008, we expect this percentage to decline and are working hard to expand our presence in the Illinois Basin, where our coal royalty revenues tripled over the same period in 2007. Through our relationship with the Cline Group, we expect our Illinois assets to contribute even more significantly to our total revenues in 2009.

In addition, we benefitted from our significant exposure to metallurgical coal. Approximately 33% of our coal royalty revenues and 24% of the related production during first nine months were from metallurgical coal, which is used in the production of steel. Prices of metallurgical coal have been substantially higher than steam coal over the past few years, and we expect them to remain at high levels for at least the next year. The U.S. coal market, especially for Appalachian coal and to a more limited extent the Illinois Basin coal, is being dramatically impacted by events in China, Australia and South Africa that are impacting world coal supply. Combined with the legal and regulatory challenges to increasing production in the United States, we believe that prices for physical delivery of coal will remain high for the near term.

Although coal prices have improved significantly, the political, legal and regulatory environment is becoming increasingly difficult for the coal industry. The recent judicial decisions by the Southern District of West Virginia regarding permits issued under Section 404 of the Clean Water Act in West Virginia, together with a similar lawsuit filed in Kentucky, have created substantial regulatory uncertainty. If these cases have adverse outcomes, it could have long-term negative implications for the future of all coal mining in Appalachia which would impact our coal royalty revenues derived from that region.

Distributable Cash Flow

Under our partnership agreement, we are required to distribute all of our available cash each quarter. Because distributable cash flow is a significant liquidity metric that is an indicator of our ability to generate cash flows at a level that can sustain or support an increase in quarterly cash distributions paid to our partners, we view it as the most important measure of our success as a company. Distributable cash flow is also the quantitative standard used in the investment community with respect to publicly traded partnerships.

Our distributable cash flow represents cash flow from operations less actual principal payments and cash reserves set aside for scheduled principal payments on our senior notes. Although distributable cash flow is a non-GAAP financial measure, we believe it is a useful adjunct to net cash provided by operating activities under GAAP. Distributable cash flow is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing or financing activities. Distributable cash flow may not be calculated the same for NRP as for other companies. A reconciliation of distributable cash flow to net cash provided by operating activities is set forth below.

Reconciliation of GAAP Net cash provided by operating activities
to Non-GAAP Distributable cash flow
(In thousands)

	For the Quarter Ended September 30,		For the Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
	(Unaudited)			
Net cash provided by operating activities	$ 58,273	$ 38,325	$ 159,143	$ 114,929
Less scheduled principal payments	(7,691)		(17,234)	(9,350)
Less reserves for future principal payments	(4,308)	(4,280)	(12,924)	(9,080)
Add reserves used for scheduled principal payments	7,691		17,234	9,400
Distributable cash flow	$ 53,965	$ 34,045	$ 146,219	$ 105,899

Acquisitions

Although we are a growth-oriented company and have closed a number of acquisitions over the last several years, the pace of our acquisitions has slowed in 2008 due to the current credit crisis and the high expectations of potential sellers in today s pricing environment. We continue to look at a number of opportunities and are prepared to move quickly when the market stabilizes. Our most recent acquisitions are briefly described below.

Mid-Vol Coal Preparation Plant. In April 2008, we completed construction of a coal preparation plant and coal handling infrastructure under our memorandum of understanding with Taggart Global USA, LLC. The total cost to build the facilities was $12.7 million.

Licking River Preparation Plant. On March 14, 2008, we signed an agreement for the construction of a coal preparation plant facility under our memorandum of understanding with Taggart Global USA, LLC. The cost for the facility, located in Eastern Kentucky, is estimated to be approximately $8.7 million, of which $7.7 million had been paid as of September 30, 2008 for construction costs incurred to date.

Massey Energy. On December 31, 2007, we acquired an overriding royalty interest from Massey Energy for $6.6 million. The override relates to low-vol metallurgical coal reserves that are being produced from the Pinnacle Mine in West Virginia.

National Resources. On December 17, 2007, we acquired approximately 17.5 million tons of high quality low-vol metallurgical coal reserves in Wyoming and McDowell Counties in West Virginia from National Resources, Inc., a subsidiary of Bluestone Coal. Total consideration for this purchase was $27.2 million.

Cheyenne Resources. On August 16, 2007, we acquired a rail load-out facility and rail spur from Cheyenne Resources for $5.5 million. This facility is located in Perry County, Kentucky.

Mettiki. On April 2, 2007, we acquired approximately 35 million tons of coal reserves in Grant and Tucker Counties in Northern West Virginia for total consideration of 500,000 NRP common units and approximately $10.2 million in cash. The assets were acquired from Western Pocahontas Properties under our omnibus agreement. Western Pocahontas Properties has retained an overriding royalty interest on approximately 16 million tons of non-permitted reserves, which will be offered to NRP at the time those reserves are permitted.

Westmoreland. On February 27, 2007, we acquired an overriding royalty on 225 million tons of coal in the Powder River Basin from Westmoreland Coal Company for $12.7 million. The reserves are located in the Rocky Butte Reserve in Wyoming.

Dingess-Rum. On January 16, 2007, we acquired 92 million tons of coal reserves and approximately 33,700 acres of surface and timber in Logan, Clay and Nicholas Counties in West Virginia from Dingess-Rum Properties, Inc. As consideration for the acquisition, we issued 4,800,000 common units to Dingess-Rum.

Cline. On January 4, 2007, we acquired 49 million tons of reserves in Williamson County, Illinois and Mason County, West Virginia that are leased to affiliates of The Cline Group. In addition, we acquired transportation assets

and related infrastructure at those mines. As consideration for the transaction we issued 8,910,072 units representing limited partner interests in NRP. Through its affiliate Adena Minerals, LLC, The Cline Group received a 22% interest in our general partner and in the incentive distribution rights of NRP in return for providing NRP with the exclusive right to acquire additional reserves, royalty interests and certain transportation

infrastructure relating to future mine developments by The Cline Group. Simultaneous with the closing of this transaction, we signed a definitive agreement to purchase the coal reserves and transportation infrastructure at Cline s Gatling Ohio complex. This transaction will close upon commencement of coal production, which is currently expected to occur in 2009.

Results of Operations

	Three Months Ended September 30, 2008	2007	Increase (Decrease)	Percentagen Change
	(In thousands, except percent and per ton data) (Unaudited)			
Coal:				
Coal royalty revenues				
Appalachia				
Northern	$ 3,433	$ 3,941	$ (508)	(13%)
Central	40,371	29,662	10,709	36%
Southern	5,397	4,649	748	16%
Total Appalachia	49,201	38,252	10,949	29%
Illinois Basin	6,438	2,462	3,976	161%
Northern Powder River Basin	2,684	3,664	(980)	(27%)
Total	$ 58,323	$ 44,378	$ 13,945	31%
Production (tons)				
Appalachia				
Northern	1,172	1,640	(468)	(29%)
Central	8,859	8,927	(68)	(1%)
Southern	1,015	1,184	(169)	(14%)
Total Appalachia	11,046	11,751	(705)	(6%)
Illinois Basin	2,441	1,147	1,294	113%
Northern Powder River Basin	1,448	1,810	(362)	(20%)
Total	14,935	14,708	227	2%
Average gross royalty per ton				
Appalachia				
Northern	$ 2.93	$ 2.40	$ 0.53	22%
Central	4.56	3.32	1.24	37%
Southern	5.32	3.93	1.39	35%
Total Appalachia	4.45	3.26	1.19	37%
Illinois Basin	2.64	2.15	0.49	23%
Northern Powder River Basin	1.85	2.02	(0.17)	(8%)
Combined average gross royalty per ton	3.91	3.02	0.89	29%
Aggregates:				
Royalty revenue	$ 1,980	$ 1,932	$ 48	2%
Aggregate royalty bonus	$ 300	$ 164	$ 136	83%

Production		1,484		1,584		(100)	(6%)
Average base royalty per ton	$	1.33	$	1.22	$	0.11	9%

Coal Royalty Revenues and Production. Coal royalty revenues comprised approximately 77% and 79% of our total revenue for the three month periods ended September 30, 2008 and 2007. The following is a discussion of the coal royalty revenues and production derived from our major coal producing regions:

Appalachia. Primarily due to significantly higher prices being realized by our lessees, coal royalty revenues increased in the three month period ended September 30, 2008 compared to the same period of 2007. Production, however, was lower across all three Appalachian regions as our lessees faced increasing costs, a difficult regulatory environment, a shortage of labor and increasingly difficult geologic conditions. The declines in production levels were partially offset by several small acquisitions made during the periods presented, but subject to some exceptions, we expect that our lessees in Appalachia will continue to experience difficulties in maintaining current production levels.

Illinois Basin. Coal royalty revenues nearly tripled and production more than doubled as our Williamson property operated near full capacity for the three month period ended September 30, 2008.

Northern Powder River Basin. Coal royalty revenues and production decreased on our Western Energy property primarily due to the normal variations that occur due to the checkerboard nature of ownership.

Aggregates Royalty Revenues and Production. Aggregate production decreased slightly, but due to improved prices being received by the lessee, royalty revenues increased slightly.

	Nine Months Ended September 30,		**Increase (Decrease)**	**Percentagen Change**
	2008	**2007**		
	(In thousands, except percent and per ton data) (Unaudited)			
Coal:				
Coal royalty revenues				
Appalachia				
Northern	$ 11,838	$ 11,064	$ 774	7%
Central	117,642	88,248	29,394	33%
Southern	14,697	13,677	1,020	7%
Total Appalachia	144,177	112,989	31,188	28%
Illinois Basin	14,995	4,941	10,054	203%
Northern Powder River Basin	8,329	8,154	175	2%
Total	$ 167,501	$ 126,084	$ 41,417	33%
Production (tons)				
Appalachia				
Northern	4,436	4,875	(439)	(9%)
Central	27,430	27,022	408	(2%)
Southern	3,239	3,514	(275)	(8%)
Total Appalachia	35,105	35,411	(306)	(1%)
Illinois Basin	5,899	2,307	3,592	156%
Northern Powder River Basin	4,493	4,072	421	10%
Total	45,497	41,790	3,707	9%
Average gross royalty per ton				
Appalachia				
Northern	$ 2.67	$ 2.27	$ 0.40	18%
Central	4.29	3.27	1.02	31%
Southern	4.54	3.89	0.65	17%
Total Appalachia	4.11	3.19	0.92	29%
Illinois Basin	2.54	2.14	0.40	19%
Northern Powder River Basin	1.85	2.00	(0.15)	(8%)
Combined average gross royalty per ton	3.68	3.02	0.66	22%
Aggregates:				
Royalty revenue	$ 5,028	$ 5,293	$ (265)	(5%)

Aggregate royalty bonus	$ 2,544	$ 492	$ 2,052	417%
Production	3,876	4,456	(580)	(13%)
Average base royalty per ton	$ 1.30	$ 1.19	$ 0.11	9%

Coal Royalty Revenues and Production. Coal royalty revenues comprised approximately 78% and 80% of our total revenue for the nine month periods ended September 30, 2008 and 2007. The following is a discussion of the coal royalty revenues and production derived from our major coal producing regions:

Appalachia. Primarily due to significantly higher prices being realized by our lessees, coal royalty revenues increased in the nine month period ended September 30, 2008 compared to the same period of 2007. In spite of several acquisitions completed since the first quarter of 2007, production was essentially flat in all of our Appalachian regions as our lessees faced increasing costs, a difficult regulatory environment, a shortage of labor and increasingly difficult geologic conditions.

Illinois Basin. Coal royalty revenues tripled and production more than doubled as our Williamson property operated near full capacity for a significant portion of the nine month period ended September 30, 2008. In addition, one of our lessees had a higher proportion of their production come from our Cummings/Hocking Wolford property during the period.

Northern Powder River Basin. Coal royalty revenues and production increased on our Western Energy property primarily due to the normal variations that occur due to the checkerboard nature of ownership. The per ton revenue is lower for the nine months ended September 30, 2008 compared to the same period in 2007. The higher per ton rate in the first nine months of 2007 was due to a cumulative price adjustment, which is received from time to time by our lessee.

Aggregates Royalty Revenues and Production. Aggregate production and royalties were down slightly for the nine months ended September 30, 2008 compared to the same period of 2007. In the first half of 2008, we received a bonus royalty payment that was $1.6 million higher than expected from our lessee based on their 2007 net profits. The lower production was partially offset by higher prices being received by our lessee.

Other Operating Results

Coal Processing and Transportation Revenues. We generated $2.0 million and $5.7 million in processing revenues for the quarter and nine months ended September 30, 2008 compared with $1.4 million and $3.4 million for the same periods in 2007. We do not operate the preparation plants, but receive a fee for coal processed through them. Similar to our coal royalty structure, the throughput fees are based on a percentage of the ultimate sales price for the coal that is processed through the facilities. Coal processed through the facilities decreased 21% and 8% for the three and nine month periods of 2008, compared to the same periods of 2007, while revenue increased due to the increase in sales prices.

In addition to our preparation plants, we own coal handling and transportation infrastructure associated with the Gatling mining complex in West Virginia and beltlines and rail load-out facilities associated with Williamson Energy s Pond Creek No. 1 mine in Illinois. In contrast to our typical royalty structure, we receive a fixed rate per ton for coal transported over these facilities. We operate coal handling and transportation infrastructure and have subcontracted out that responsibility to third parties. We generated transportation fees from these assets of approximately $3.2 million and $8.2 million for the quarter and nine months ended September 30, 2008, compared to $1.0 million and $2.3 million for the same periods of 2007. Production increased during 2008 due to our Williamson property coming online at full capacity.

Oil and Gas Royalties. We generated $2.2 million and $1.4 million for the quarter ended September 30, 2008 and 2007, respectively and for the nine months ended September 30, 2008, we generated $5.6 million compared to $3.9 million for the same period in 2007. These increases in revenue are primarily due to higher prices.

Override revenues. Override revenues were $3.1 million and $1.0 million for the quarters ending September 30, 2008 and 2007, respectively and $7.6 million and $3.0 million for the nine months ended September 30, 2008 and 2007, respectively. These increases were due primarily to override royalty acquisitions during 2007 and additional production on an existing override.

Other revenues. Other revenues, primarily comprised of rent and wheelage, generated $2.0 million for the quarter and $4.7 million for the nine months ended September 30, 2008, compared to $1.3 million for the quarter and $3.6 million for the nine months ended September 30, 2007.

Operating costs and expenses. Included in total expenses are:

Depreciation, depletion and amortization of $17.0 million and $13.0 million for the quarters ended September 30, 2008 and 2007 and $48.8 million and $37.3 million for the nine months ended September 30, 2008 and 2007, respectively. Depletion increased as a result of higher total production for 2008 and a greater portion of the production on the new properties that we acquired in 2007 and at the end of 2006, which are being depleted at much higher rates than our older properties. In the quarter ending September 30, 2008, we also fully depleted the remaining basis on an asset for which the remaining tons were unrecoverable. The depletion expense related to the asset was $1.0 million.

General and administrative expenses of $1.7 million and $12.8 million for the quarter and nine month periods ended September 30, 2008 compared to $3.7 million and $15.9 million for the same periods during 2007. The change in general and administrative expense is primarily due to accruals under our long-term incentive plan attributable to fluctuations in our unit price.

Property, franchise and other taxes have decreased approximately $1.2 million for the quarter ended September 30, 2008 when compared to the same period of 2007, while for the nine month periods ending September 30, 2008 and 2007 property taxes were virtually the same. The third quarter of 2007 reflected higher than normal accruals needed to provide for an increase in West Virginia taxes of almost $1.0 million due to higher tax assessments and taxes on new properties acquired in 2007. A substantial portion of our property taxes is reimbursed to us by our lessees and is reflected as property tax revenue on our statement of income.

Interest Expense. Interest expense was slightly lower quarter to quarter and year to year due to lower interest rates on our credit facility. We replaced $225 million of our credit facility with senior notes at the end of March 2007 at a more favorable interest rate than those on our credit facility at that time which helped offset the increase in total debt outstanding.

Liquidity and Capital Resources

Cash Flows and Capital Expenditures

We satisfy our working capital requirements with cash generated from operations. Since our initial public offering, we have financed our property acquisitions with available cash, borrowings under our revolving credit facility, and the issuance of our senior notes and additional units. However, given the current global financial crisis, we cannot be certain that proceeds from capital markets issuances will be available or sufficient to finance future acquisitions. While our ability to satisfy our debt service obligations and pay distributions to our unitholders depends in large part on our future operating performance, our ability to make acquisitions will depend on prevailing economic conditions in the financial markets as well as the coal industry and other factors, some of which are beyond our control. For a more complete discussion of factors that will affect cash flow we generate from our operations, please read Item 1A. Risk Factors. in this Form 10-Q and in our Form 10-K for the year ended December 31, 2007. Our capital expenditures, other than for acquisitions, have historically been minimal.

Net cash provided by operations for the nine months ended September 30, 2008 and 2007 was $159.1 million and $114.9 million, respectively. Approximately 75% to 80% of our cash provided by operations since inception has been generated from coal royalty revenues.

Net cash used in investing activities for the nine months ended September 30, 2008 and 2007 was $10.0 million and $46.3 million, respectively. For the nine months ended September 30, 2008 and 2007, substantially all of our investing activities consisted of acquiring coal reserves, plant and equipment and other mineral rights.

Net cash used for financing activities for the nine months ended September 30, 2008 and 2007 was $143.1 million and $80.3 million, respectively. In 2007, all of the loan proceeds from our credit facility were used to fund our acquisitions. We issued $225 million in senior notes in 2007 and used those proceeds to pay down our credit facility. We made principal payments on our senior notes of $17.2 million during the nine months ended September 2008 and $9.3 million during the same period in 2007. Cash distributions to our partners were $125.9 million and $108.1 million for the nine months ended September 30, 2008 and 2007, respectively. In the first half of 2007, as a part of the Dingess-Rum and Mettiki acquisitions we received $2.6 million in cash contributions from our general partner to maintain its 2% interest.

Long-Term Debt

At September 30, 2008, our debt consisted of:

$48.0 million of our $300 million floating rate revolving credit facility, due March 2012;

$35 million of 5.55% senior notes due 2013;

$49.8 million of 4.91% senior notes due 2018;

$92.3 million of 5.05% senior notes due 2020;

$2.5 million of 5.31% utility local improvement obligation due 2021;

$43.5 million of 5.55% senior notes due 2023; and

$225 million of 5.82% senior notes due 2024.

Other than the 5.55% senior notes due 2013, which have semi-annual interest payments, all of our senior notes require annual principal payments in addition to semi-annual interest payments. The principal payments on the 5.82% senior notes due 2024 do not begin until March 2010. We also make annual principal and interest payments on the utility local improvement obligation.

Credit Facility. We have a $300 million revolving credit facility, and at September 30, 2008 we had $48.0 million outstanding under the facility. Under an accordion feature in the credit facility, we may request our lenders to increase their aggregate commitment to a maximum of $450 million on the same terms. However, under the current market conditions, we cannot be certain that our lenders will elect to participate in the accordion feature. To the extent the lenders decline to participate, we may elect to bring new lenders into the facility, but cannot make any assurance that the excess credit capacity will be available to us on the existing terms.

Our obligations under the credit facility are unsecured but are guaranteed by our operating subsidiaries. We may prepay all loans at any time without penalty. Indebtedness under the revolving credit facility bears interest, at our option, at either:

- the higher of the federal funds rate plus an applicable margin ranging from 0% to 0.50% or the prime rate as announced by the agent bank; or

- at a rate equal to LIBOR plus an applicable margin ranging from 0.45% to 1.50%.

We incur a commitment fee on the unused portion of the revolving credit facility at a rate ranging from 0.10% to 0.30% per annum.

The credit agreement contains covenants requiring us to maintain:

- a ratio of consolidated indebtedness to consolidated EBITDDA (as defined in the credit agreement) of 3.75 to 1.0 for the four most recent quarters; provided however, if during one of those quarters we have made an acquisition, then the ratio shall not exceed 4.0 to 1.0 for the quarter in which the acquisition occurred and (1) if the acquisition is in the first half of the quarter, the next two quarters or (2) if the acquisition is in the second half of the quarter, the next three quarters; and

- a ratio of consolidated EBITDDA to consolidated fixed charges (consisting of consolidated interest expense and consolidated lease operating expense) of 4.0 to 1.0 for the four most recent quarters.

Senior Notes. NRP Operating LLC issued the senior notes under a note purchase agreement. The senior notes are unsecured but are guaranteed by our operating subsidiaries. We may prepay the senior notes at any time together with a make-whole amount (as defined in the note purchase agreement). If any event of default exists under the note purchase agreement, the noteholders will be able to accelerate the maturity of the senior notes and exercise other rights and remedies.

The note purchase agreement contains covenants requiring our operating subsidiary to:

- not permit debt secured by certain liens and debt of subsidiaries to exceed 10% of consolidated net tangible assets (as defined in the note purchase agreement); and
- maintain the ratio of consolidated EBITDA to consolidated fixed charges (consisting of consolidated interest expense and consolidated operating lease expense) at not less than 3.5 to 1.0.

Shelf Registration Statement

As of September 30, 2008, we had approximately $290.2 million available under our shelf registration statement. The securities may be offered from time to time directly or through underwriters at amounts, prices, interest rates and other terms to be determined at the time of any offering. The net proceeds from the sale of securities from the shelf will be used for future acquisitions and other general corporate purposes, including the retirement of existing debt.

Off-Balance Sheet Transactions

We do not have any off-balance sheet arrangements with unconsolidated entities or related parties and accordingly, there are no off-balance sheet risks to our liquidity and capital resources from unconsolidated entities.

Related Party Transactions

Reimbursements to Affiliates of our General Partner

Our general partner does not receive any management fee or other compensation for its management of Natural Resource Partners L.P. However, in accordance with our partnership agreement, our general partner and its affiliates are reimbursed for expenses incurred on our behalf. All direct general and administrative expenses are charged to us as incurred. We also reimburse indirect general and administrative costs, including certain legal, accounting, treasury, information technology, insurance, administration of employee benefits and other corporate services incurred by our general partner and its affiliates. Reimbursements to affiliates of our general partner may be substantial and reduce our cash available for distribution to unitholders.

The reimbursements to affiliates of our general partner for services performed by Western Pocahontas Properties and Quintana Minerals Corporation totaled $1.4 million and $1.2 million and $4.1 million and $3.8 million for each of the three and nine month periods ended September 30, 2008 and 2007, respectively.

Transactions with Cline Affiliates

Williamson Energy, LLC, a company controlled by Chris Cline, leases coal reserves from us, and we provide coal transportation services to Williamson for a fee. Mr. Cline, through another affiliate, Adena Minerals, LLC, owns a 22% interest in our general partner and the incentive distribution rights of NRP, as well as 8,910,072 common units. At September 30, 2008, we had accounts receivable totaling $1.7 million from Williamson. For the three and nine month periods ended September 30, 2008 and 2007, we had total revenue of $8.1 million and $1.0 million and $17.4 million and $2.2 million, respectively, from Williamson. In addition, we have received advance minimum royalties of $5.2 million that have not been recouped.

Gatling, LLC, a company also controlled by Chris Cline, leases coal reserves from us and we provide coal transportation services to Gatling for a fee. At September 30, 2008, we had accounts receivable totaling $0.1 million from Gatling. For the three and nine month periods ended September 30, 2008 and 2007, we had total revenue of $0.4 million and $0.8 million and $2.6 million and $1.9 million, respectively, from Gatling, LLC. In addition, we have received advance minimum royalty payments of $7.1 million that have not been recouped.

Quintana Energy Partners, L.P.

In 2006, Corbin J. Robertson, Jr. formed Quintana Energy Partners, L.P., or QEP, a private equity fund focused on investments in the energy business. In connection with the formation of QEP, our general partner s board of directors adopted a conflicts policy that establishes the opportunities that will be pursued by NRP and those that will be pursued by QEP. For a more detailed description of this policy, please see Item 13. Certain Relationships and Related Transactions, and Director Independence in our Form 10-K.

In February 2007, QEP acquired a significant membership interest in Taggart Global USA, LLC, including the right to nominate two members of Taggart s 5-person board of directors. NRP currently has a memorandum of understanding with Taggart Global pursuant to which the two companies have agreed to jointly pursue the development of coal handling and preparation plants. NRP will own and lease the plants to Taggart Global, which will design, build and operate the plants. The lease payments are based on the sales price for the coal that is processed through the facilities. To date, NRP has acquired four facilities under this agreement with Taggart for a total cost of $45.5 million. For the three and nine months ended September 30, 2008 and 2007, total revenues were $1.4 million and $0.8 million and $3.5 million and $1.9 million, respectively, from Taggart. At September 30, 2008, we had accounts receivable totaling $0.3 million from Taggart.

In July 2007, QEP acquired a controlling interest in Kopper-Glo Fuel, Inc., a coal operating company that is one of our lessees. For the three and nine month periods ended September 30, 2008 and 2007, we had total revenue of $0.4 million and $0.4 million and $0.9 million and $1.4 million, respectively, from Kopper-Glo, and at September 30, 2008, we had accounts receivable totaling $0.2 million.

Environmental

The operations our lessees conduct on our properties are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which these operations are conducted. As an owner of surface interests in some properties, we may be liable for certain environmental conditions occurring at the surface properties. The terms of substantially all of our leases require the lessee to comply with all applicable laws and regulations, including environmental laws and regulations. Lessees post reclamation bonds assuring that reclamation will be completed as required by the relevant permit, and substantially all of the leases require the lessee to indemnify us against, among other things, environmental liabilities. Some of these indemnifications survive the termination of the lease. Because we have no employees, employees of Western Pocahontas Properties Limited Partnership make regular visits to the mines to ensure compliance with lease terms, but the duty to comply with all regulations rests with the lessees. We believe that our lessees will be able to comply with existing regulations and do not expect any lessee s failure to comply with environmental laws and regulations to have a material impact on our financial condition or results of operations. We have neither incurred, nor are aware of, any material environmental charges imposed on us related to our properties as of September 30, 2008. We are not associated with any environmental contamination that may require remediation costs. However, our lessees regularly conduct reclamation work on the properties under lease to them. Because we are not the permittee of the operations on our properties, we are not responsible for the costs associated with these operations. In addition, West Virginia has established a fund to satisfy any shortfall in our lessees reclamation obligations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk, which includes adverse changes in commodity prices and interest rates as discussed below:

Commodity Price Risk

We are dependent upon the effective marketing and efficient mining of our coal reserves by our lessees. Our lessees sell coal under various long-term and short-term contracts as well as on the spot market. A large portion of these sales are under long-term contracts. The coal industry in Appalachia is experiencing an increase in both domestic and foreign demand, as well as a shortage of supply. As a result, the current price of coal in Appalachia is at historically high levels. If this price level is not sustained or our lessees costs increase, some of our coal could become uneconomic to mine, which would adversely affect our coal royalty revenues. In addition, the current prices may make coal from other regions more economical and may make other competing fuels relatively less costly than Appalachian coal.

Interest Rate Risk

Our exposure to changes in interest rates results from our borrowings under our revolving credit facility, which are subject to variable interest rates based upon LIBOR. At September 30, 2008, we had $48.0 million outstanding in variable interest rate debt.

Item 4. Controls and Procedures

NRP carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act) as of the end of the period covered by this report. This evaluation was performed under the supervision and with the participation of NRP management, including the Chief Executive Officer and Chief Financial Officer of the general partner of the general partner of NRP. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures are effective in providing reasonable assurance that (a) the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and (b) such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

No changes were made to our internal control over financial reporting during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In addition to the risk factors previously disclosed in our Form 10-K for the year ended December 31, 2007, you should consider the following risks prior to making an investment in Natural Resource Partners:

Our ability to make acquisitions and pay distributions to our unitholders depends, in part, upon our ability to access the capital markets. We may not be able to obtain long-term financing on acceptable terms or obtain funding under our current credit facility because of the deterioration of the credit and capital markets.

Global financial markets and economic conditions have been, and continue to be, disrupted and volatile. The debt and equity capital markets have been exceedingly distressed. These issues, along with significant write-offs in the financial services sector, the re-pricing of credit risk and the current weak economic conditions have made, and will likely continue to make it difficult to obtain funding.

In particular, the cost of raising money in the debt and equity capital markets has increased substantially while the availability of funds from those markets generally has greatly diminished. Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at maturity at all or on terms similar to our current debt and reduced and, in some cases, ceased to provide funding to borrowers. In addition, we may be unable to obtain adequate funding under our current credit facility because our lending counterparties may be unwilling or unable to meet their funding obligations.

Due to these factors, we cannot be certain that funding will be available if needed and to the extent required, on acceptable terms. If funding is not available when needed, or is available only on unfavorable terms, we may be unable to complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our revenues, results of operations and quarterly distributions.

Some of our lessees may be adversely impacted by the current deterioration in the credit markets.

Many of our lessees finance their activities through cash flow from operations, the incurrence of debt, the use of commercial paper or the issuance of equity. Recently, there has been a significant deterioration in the credit markets and the availability of credit. The lack of availability of debt or equity financing may result in a significant reduction in our lessees spending related to development of new mines or expansion of existing mines on our properties. It may also impact our lessees ability to pay current obligations and continue ongoing operations on our properties. Any significant reductions in spending related to our lessees operations could have a material adverse effect on our revenues and ability to pay our quarterly distributions.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

31.1*	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350.

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

NATURAL RESOURCE PARTNERS L.P.
By: NRP (GP) LP, its general partner
By: GP NATURAL RESOURCE PARTNERS LLC, its general partner

Date: November 7, 2008

By: /s/ Corbin J. Robertson, Jr.

Corbin J. Robertson, Jr.,
Chairman of the Board and
Chief Executive Officer
(Principal Executive Officer)

Date: November 7, 2008

By: /s/ Dwight L. Dunlap

Dwight L. Dunlap,
Chief Financial Officer and
Treasurer
(Principal Financial Officer)

Date: November 7, 2008

By: /s/ Kenneth Hudson

Kenneth Hudson
Controller
(Principal Accounting Officer)