MATERIAL CHANGE REPORT

PURSUANT TO

SECTION 85(1) OF THE SECURITIES ACT (BRITISH COLUMBIA)
SECTION 118(2) OF THE SECURITIES ACT (ALBERTA)
SECTION 84(1) OF THE SECURITIES ACT (SASKATCHEWAN)
SECTION 75(2) OF THE SECURITIES ACT (ONTARIO)
SECTION 73 OF THE SECURITIES ACT (QUEBEC)
SECTION 81(2) OF THE SECURITIES ACT (NOVA SCOTIA)
SECTION 76(2) OF THE SECURITIES ACT (NEWFOUNDLAND)

ITEM 1: REPORTING ISSUER

The T. Eaton Company Limited (the "Company").

ITEM 2: DATE OF MATERIAL CHANGE

September 11, 1998.

ITEM 3: PRESS RELEASE

A press release relating to the material change was released September 11, 1998.

ITEM 4: SUMMARY OF MATERIAL CHANGE

Management of the Company has revised the "Forecast Consolidated Statement of Earnings" for the fiscal year ending January 30, 1999 included in the Company's prospectus dated June 1, 1998. Management noted that recently there has been significant uncertainty regarding the Canadian economy related to the change in the value of the Canadian dollar, the decline in stock markets and a change in interest rates. Management believes these factors may negatively and collectively affect consumer confidence and, accordingly, retail sales. In addition, in the second quarter the Company recorded an unusual charge of $25 million for severance and other costs related to the Company's decision announced in June to close its major appliance and electronics businesses in all store locations by the end of the current fiscal year and to reduce its toys, restaurant services and furniture assortments in many of the Company's stores.

ITEM 5: FULL DESCRIPTION OF MATERIAL CHANGE

Please see Appendix I attached hereto.

ITEM 6: RELIANCE ON CONFIDENTIALITY SECTION OF THE ACT

N/A

ITEM 7 OMMITTED INFORMATION

N/A

ITEM 8 SENIOR OFFICER - FOR FURTHER INFORMATION CONTACT:

Mr. Harold (Hap) S. Stephen
Executive Vice-President and Chief Financial Officer
290 Yonge Street, 7th Floor
Toronto, Ontario M5B 1C8
Phone: (416) 349-7111 Ext. 5011
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ITEM 9: STATEMENT OF SENIOR OFFICER

The foregoing accurately discloses the material change referred to herein.

DATED at Toronto this 18 day of September, 1998

[Signed] Hap S. Stephen
Name: Harold (Hap) S. Stephen
Title: Executive Vice-President
Chief Financial Officer

IT IS AN OFFENCE FOR A PERSON TO MAKE A STATEMENT IN A DOCUMENT REQUIRED TO BE FILED OR FURNISHED UNDER THE ACT OR THIS REGULATION THAT AT THE TIME AND IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH IT IS MADE, IS A MISREPRESENTATION.

APPENDIX I

UNAUDITED

THE T. EATON COMPANY LIMITED
REVISED FORECAST CONSOLIDATED STATEMENT OF EARNINGS

For the Fiscal Year Ending January 30, 1999
(millions of dollars, except per share amounts)

	Actual 28 Weeks Ended August 15, 1998	**Forecast 24 Weeks August 16, 1998 - January 30, 1999**	**Forecast Fiscal Year Ending January 30, 1999**
REVENUE	738	997	1,735
Cost of merchandise sold	497	648	1,145
Gross margin	241	349	590
EXPENSES			
Operating, administrative and selling	267	263	530
Depreciation and amortization	15	15	30
	282	278	560
Operating earnings (loss) before interest	(41)	71	30
Interest expense	10	2	12
Operating earnings (loss)	(51)	69	18
Unusual items	(27)	(8)	(35)
Earnings (loss) before income taxes	(78)	61	(17)
Provision for (recovery of) income taxes	(12)	(1)	(13)
Earnings (loss) before earnings from discontinued operations	(66)	62	(4)
Earnings from discontinued operations	25	5	30
Net earnings (loss) for the period	(41)	67	26
Earnings (loss) per common share			
Before discontinued operations			(0.22)
Discontinued operations			1.63
Net earnings per common share			1.41
Fully diluted earnings per common share			
Before discontinued operations			(0.10)
Discontinued operations			1.44
Net fully diluted earnings per common share			1.34

THE. T. EATON COMPANY LIMITED
NOTES TO REVISED FORECAST CONSOLIDATED STATEMENT OF EARNINGS AND SIGNIFICANT ASSUMPTIONS
Fiscal Year Ending January 30, 1999

1. PURPOSE OF THE UPDATED FORECAST CONSOLIDATED STATEMENT OF EARNINGS

This is an update to the forecast that was included in the final prospectus dated June 1, 1998.

In late June, the Company announced that it would close its major appliances and consumer electronics businesses in all locations by end of this fiscal year as it continues to emphasize the more profitable fashion and soft goods businesses. Also, the company is reducing its toy, furniture and restaurant businesses in many locations. In the second quarter, the Company recorded an unusual charge of $25 million for severance and other costs related to closing these businesses. Also, there has been increased uncertainty due to recent changes in the Canadian dollar, stock market values and interest rates. Management believes that these factors may negatively effect consumer confidence. The forecast consolidated statement of earnings for the 52 weeks ended January 30, 1999, has been revised to reflect the potential impact of these recent economic developments, the withdrawal from the major appliances and electronics businesses, and actual results for the 28 week period ended August 15, 1998.

2. EXPLANATIONS OF SIGNIFICANT VARIATIONS FROM THE PREVIOUS FORECAST

(a) Sales
Management has revised the sales and gross margin forecast for the fiscal year based on the second quarter actual results, which were slightly lower than planned, uncertainty related to future short term economic conditions and the effect of the announcement of the closure of the major appliances and consumer electronics businesses. Sales for the full year are forecast to be $1,735 million or 4.8% lower than the original forecast. Same store sales growth for the year is forecast to be 8.5% compared to 13.9% in the original forecast.

(b) Gross Margin
The gross margin rate for the full year has been adjusted to 34.0% from 34.2% in the previous forecast to reflect recent actual results and the updated planned merchandise mix for the third and fourth quarters.

(c) Operating Administrative and Selling Expenses
Operating, administrative and selling expenses for the full year are forecast to be $530 million which is $15 million or 2.8% lower than the original forecast. Management achieved greater expense reductions in the first two quarters than originally forecast and the benefit of these actions is expected to continue in the third and fourth quarters.

3. UNUSUAL ITEMS

The following revisions were made to the original forecast for Unusual Items:

	$ Million
Additional restructuring provision related to the closure of the major appliance, consumer electronics and related businesses	25
Reduction in information systems cost related to Year 2000 project	(1)
Gains on sale of properties	(5)
Net increase	19

4. OTHER

Subsequent to the original forecast, the underwriters exercised the over-allotment option on 950,000 shares at $15 per share and Eaton’s received additional net proceeds of $13 million to bring total net proceeds from the Initial Public Offering to $179 million. Forecast earnings per common share and fully diluted earnings per common share have been revised to reflect the additional shares.