

Michaels Identifies and Contains Previously Announced Data Security Issue

IRVING, Texas--(BUSINESS WIRE)-- Michaels Stores, Inc. (the "Company" or "Michaels") today provided an update on its ongoing investigation into the data security issue it previously reported. In January, the Company learned of possible fraudulent activity on some U.S. payment cards that had been used at Michaels stores. Since the announcement, the Company retained two independent, expert security firms to conduct an extensive investigation. The Company also has been working closely with law enforcement authorities and coordinating with banks and payment processors to determine the facts.

After weeks of analysis, the Company discovered evidence confirming that systems of Michaels stores in the United States and its subsidiary, Aaron Brothers, were attacked by criminals using highly sophisticated malware that had not been encountered previously by either of the security firms.

The Company has now identified and fully contained the incident, and the malware no longer presents a threat while shopping at Michaels or Aaron Brothers. During the course of the investigation, the Company has determined the following:

- The affected systems contained certain payment card information, such as payment card number and expiration date, about both Michaels and Aaron Brothers customers. There is no evidence that other customer personal information, such as name, address or PIN, was at risk in connection with this issue.
- Regarding Michaels stores, the attack targeted a limited portion of the point-of-sale systems at a varying number of stores between May 8, 2013 and January 27, 2014. Only a small percentage of payment cards used in the affected stores during the times of exposure were impacted by this issue. The analysis conducted by the security firms and the Company shows that approximately 2.6 million cards may have been impacted, which represents about 7% of payment cards used at Michaels stores in the U.S. during the relevant time period. The locations and potential dates of exposure for each affected Michaels store are listed on www.michaels.com.
- Regarding Aaron Brothers, the Company has confirmed that between June 26, 2013 and February 27, 2014, 54 Aaron Brothers stores were affected by this malware. The Company estimates that approximately 400,000 cards were potentially impacted during this period. The locations for each affected Aaron Brothers store are listed on www.aaronbrothers.com.
- The Company has received a limited number of reports from the payment card brands and banks of fraudulent use of payment cards potentially connected to Michaels or Aaron Brothers.

"Our customers are always our number one priority and we are truly sorry for any inconvenience or concern Michaels may have caused. We are committed to assisting affected customers by providing fraud assistance, identity protection and credit monitoring services. Importantly, with this incident now fully contained, we can assure customers this malware no longer presents a threat to shoppers at Michaels or Aaron Brothers," said Chuck Rubin, CEO.

Mr. Rubin added, "In an era where very sophisticated and determined criminals have proven

capable of successfully attacking a wide range of computer networks, we must all increase our level of vigilance. Michaels is committed to working with all appropriate parties to improve the security of payment card transactions for all consumers.”

The Company has provided data about potentially affected payment cards to the relevant card brands so they can take appropriate action. While the Company has received limited reports of fraud, it is offering identity protection, credit monitoring and fraud assistance services to affected Michaels and Aaron Brothers customers in the U.S. for 12 months at no cost to them. Details of the services and additional information related to the ongoing investigation are available on the Michaels and Aaron Brothers websites at www.michaels.com and www.aaronbrothers.com.

About Michaels and Aaron Brothers

Irving, Texas-based Michaels Stores, Inc. is North America’s largest specialty retailer of arts, crafts, framing, floral, wall decor and seasonal merchandise for the hobbyist and do-it-yourself home decorator. Aaron Brothers, Inc. is a wholly-owned subsidiary of Michaels Stores, Inc. The Company currently owns and operates more than 1,135 Michaels stores in 49 states and Canada, and 119 Aaron Brothers stores in 9 states.

Media:

ICR, Inc. for Michaels
Kim Paone, 646-277-1216
Kim.Paone@icrinc.com

Source: Michaels Stores, Inc.