Aastrom Receives Phase II NIH Grant to Support Further Development of Its Proprietary Stem Cell Manufacturing Systems

Ann Arbor, Michigan, October 18, 2005 -- Aastrom Biosciences, Inc. (Nasdaq: ASTM) today announced that it has received a Small Business Innovation Research Phase II grant from the National Institutes of Health (NIH) entitled "Clinical Human Cell Production System for Broad Use". The two-year Phase II grant from the National Institute of Nursing Research (NINR) totals $798,000, of which $270,000 has been awarded for the first year of this study. This Phase II grant follows a Phase I grant awarded to Aastrom in 2003 by the NIH's National Institute of Biomedical Imaging and Bioengineering.

"As the therapeutic potential of patient-specific, cell-based products becomes more readily acknowledged, the need to develop a reliable, compliant and cost-efficient method for large commercial-scale production of such products becomes more pressing," said Brian S. Hampson, Vice President Product Development of Aastrom. "This grant helps support Aastrom's plans to take its proprietary AastromReplicell® System, already proven as a reliable production vehicle for clinical quantities of robust cells, and make it the foundation for the component technology intended to support large-scale, centralized commercial manufacturing of cell-based products, such as our proprietary Tissue Repair Cell (TRC) bone marrow-derived stem cell products."

The studies supported by this grant will be completed at Aastrom under the direction of Mr. Hampson, in collaboration with a team of Aastrom scientists and engineers.

About Aastrom Biosciences, Inc.

Aastrom Biosciences, Inc. (Nasdaq: ASTM) is developing patient-specific products for the repair or regeneration of human tissues, utilizing the Company's proprietary adult stem cell technology. Aastrom's strategic position in the tissue regeneration sector is enabled by its proprietary Tissue Repair Cells (TRCs), a mix of bone marrow-derived adult stem and progenitor cells manufactured in the AastromReplicell® System, an industry-unique automated cell production system. TRCs are the core component of the products Aastrom is developing for severe bone fractures, ischemic vascular disease, jaw reconstruction and spine fusion, with Phase I/II level clinical trials active in the U.S. and EU for some of these indications.

For more information, visit Aastrom's website at www.aastrom.com.

This document contains forward-looking statements, including without limitation, statements concerning product development objectives, planned clinical trials, and potential product applications, which involve certain risks and uncertainties. The forward-looking statements are also identified through use of the words "potential," "intended," "plans," and other words of similar meaning. Actual results may differ significantly from the expectations contained in the forward-looking statements. Among the factors that may result in differences are clinical trial results, potential product development difficulties, the effects of competitive therapies, regulatory approval requirements, the availability of financial and other resources and the allocation of resources among different potential uses. These and other significant factors are discussed in greater detail in Aastrom's Annual Report on Form 10-K and other filings with the Securities and Exchange Commission.

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