George W. Dunbar Joins Aastrom Biosciences as Chief Executive Officer

GEORGE W. DUNBAR JOINS AASTROM BIOSCIENCES AS CHIEF EXECUTIVE OFFICER

Ann Arbor, Michigan, July 17, 2006 – Aastrom Biosciences, Inc. (Nasdaq: ASTM) today announced that George W. Dunbar, Jr. has joined the Company as Chief Executive Officer, President, and a member of Aastrom's Board of Directors. R. Douglas Armstrong, Ph.D., is stepping down as CEO after 15 years, and will continue as Chairman of the Board of Directors of Aastrom for the remainder of his term, and provide support to the Company and Mr. Dunbar during this transition.

Mr. Dunbar is a seasoned business executive with more than 25 years of experience in the healthcare field, including the biotech, pharmaceutical, diagnostic and device sectors. During this period he spent 15 years in the role of Chief Executive Officer at both established and early-stage healthcare companies, including: Quantum Dot Corporation, commercializing proprietary fluorescent labeling/detection reagents; Targesome, Inc., focusing on the development of targeted cancer drugs; Epic Therapeutics, developing drug delivery technology; Metra Biosystems, Inc., developing immunodiagnostic and portable ultrasound products for osteoporosis management; and StemCells, Inc. (formerly CytoTherapeutics), developing stem cell therapies. Mr. Dunbar also held senior positions in licensing, business development and marketing with The Ares-Serono Group and Amersham International.

Mr. Dunbar has significant experience serving as a board member of both public and private companies, and currently serves on the board of directors of Competitive Technologies and Sonus Pharmaceuticals. He also serves on the MBA Advisory Board of the College of Business at Auburn University, where he received his B.S. and MBA degrees. Previous boards of director appointments include DepoTech, LJL Biosystems, Metrika, Molecular Probes, Quidel, and The Valley Medical Center Foundation.

"We are extremely pleased to welcome George Dunbar as our Chief Executive Officer and President," said Dr. Armstrong. "George has extensive experience in the disciplines that we consider critically important in order for Aastrom to realize its full potential as an innovative tissue regeneration company. He has the management skills, and the demonstrated ability to successfully establish strategic alliances and bring new medical products to market that we were seeking in a CEO. He is a natural fit for Aastrom."

"I look forward to leading Aastrom. I am eager to move the Company to the next level, leveraging the various research and clinical programs, and launching vital new adult stem cell-related products that will improve the quality of life for many people," stated Mr. Dunbar. "Bone marrow stem cell-derived regenerative medicine has the potential to change the way we treat and manage patients in the future. I welcome the opportunity to work with Aastrom, a leader in this field, to build shareholder value and to make an important contribution to the future of healthcare."

In response to Dr. Armstrong's request, Aastrom's Board of Directors initiated a CEO management succession plan in December 2005 that resulted in Mr. Dunbar's appointment. Susan L. Wyant, Pharm.D, Lead Director of Aastrom's Board commented, "The Board of Directors is confident of Aastrom's direction with the leadership responsibility continuing under such a capable and accomplished medical products business executive as George Dunbar. George's considerable management experiences over an extensive career in the life sciences industry provide the vision, knowledge and skills needed to guide Aastrom to future success." As part of his compensation package, Mr. Dunbar received an inducement grant of a stock option to purchase up to 2.5 million shares of Aastrom common stock with an exercise price equal to the fair market value at the close of the market on July 17, 2006, the date of the grant, and vesting based on a combination of performance milestones and time. Dr. Wyant continued, "The Board is also very pleased that Dr. Armstrong will continue as our Chairman to ensure a seamless transition, and to provide strategic guidance based on his years of experience in the cell therapy field."

The Company announced other related changes in management. James A. Cour, who has been with Aastrom since 2004 as its President and COO, has left the Company to pursue other opportunities.

About Aastrom Biosciences, Inc.

Aastrom Biosciences, Inc. (Nasdaq: ASTM) is developing products for the repair or regeneration of multiple human tissues, based on its proprietary Tissue Repair Cell (TRC) adult stem cell technology. Aastrom's therapeutic TRC products contain large numbers of stromal, stem and progenitor cells that are produced from a small amount of bone marrow cells originating from the patient. TRC products have been used in over 225 patients, and are currently in clinical trials for bone grafting (long bone fractures and spine fusion) and blood vessel regeneration (critical limb ischemia) applications. The Company has reported positive interim clinical trial results for its TRCs demonstrating both the clinical safety and ability of TRCs to induce healthy new tissue growth (long bone fractures and jaw bone reconstruction). Recently, the Company's proprietary TRCs received an Orphan Drug Designation from the U.S. Food and Drug

Administration (FDA) for use in the treatment of osteonecrosis at the hip.

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

This document contains forward-looking statements, including without limitation, statements concerning anticipated management transitions and company development goals, which involve certain risks and uncertainties. The forward-looking statements are also identified through use of the words "potential," 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 unforeseen difficulties effecting the anticipated management transitions, clinical trial results, potential product development difficulties, 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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