Aastrom Biosciences Receives NIH Grant to Develop Stem Cell Treatment for Diabetic Circulation Disorders

-- Study Marks Aastrom's Entry into Vascular Regeneration Marketplace --

Ann Arbor, Michigan, October 6, 2003 - Aastrom Biosciences, Inc. (NasdaqSC: ASTM) announced today that it has received a $100,000 Phase I Small Business Innovation Research grant from the National Institutes of Health (NIH) to develop a bone marrow stem cell-based treatment of circulation ischemia caused by vascular diseases and diabetes.

In this six-month study, undertaken in collaboration with Case Western Reserve University, Aastrom's patented single-pass perfusion stem cell technology will be utilized to create a clinically suitable cell therapy for regeneration of vascular tissue (veins and arteries). The Company's proprietary AastromReplicell™ System ("System") will be used to produce the expanded bone marrow stem and endothelial progenitor cell (EPC) product that will be tested in an in vivo animal model for hind limb ischemia. The Company anticipates that successful completion of this study will lead to further grant applications as well as clinical trials for the treatment of vascular diseases. Kristin Goltry, Ph.D., Stem Cell Program Leader at Aastrom Biosciences, is lead investigator on the study.

"The expansion of our tissue engineering program is extremely exciting for the Company. Our movement into the major market of vascular tissue regeneration is a natural 'next step' in broadening the potential applications of our technology," said R. Douglas Armstrong, Ph.D., Chairman, President and Chief Executive Officer of Aastrom. "Our vascular tissue program is based on the same internal infrastructure as our bone regeneration program, which has shown ongoing positive achievements such as the recent FDA approval to initiate a multi-center trial for our bone grafting product. We are now building upon that strong foundation to further develop the therapeutic potential of our bone marrow stem cell products."

Ischemia is a blood circulation deficiency in an organ or tissue caused by constriction or obstruction of its blood vessels, and is commonly associated with arteriosclerosis and diabetes. Small artery obstruction is a major contributor to stroke, heart disease, and limb loss. For certain severe peripheral vascular diseases, current surgical treatment methodologies have been proven ineffective in the long-term management of the disease. As a result, the medical and research communities have recently turned to the development of cell-based therapies as alternative treatments.

"In clinical terms, this new study offers tremendous potential for revolutionizing the treatment of diabetic vascular disorders and certain cardiovascular diseases that may bring greatly improved results for many patients worldwide," Dr. Goltry commented. "Clinical results published in various medical publications indicate that large volumes of bone marrow stem cells, when injected into the surrounding tissue area, are capable of regenerating vascular tissues. Current procedures for obtaining large volumes of bone marrow stem cells are very invasive and often yield insufficient quantities. Aastrom's solution to address this limitation is based on our proprietary technology for the production of clinical quantities of therapeutic cells. The information collected through this study should pave the way for the continued development and additional clinical trials of this technology."

About Aastrom Biosciences, Inc.

Aastrom Biosciences, Inc. (NasdaqSC: ASTM) is a late-stage development company focused on human cell-based therapies. The AastromReplicell™ System - a patented, integrated system of instrumentation and single-use consumable kits for the production of patient-specific cells - is the Company's core technology for its Prescription Cell Products (PCP) business and its Cell Production Products (CPP) business. The principal focus of the PCP business is the repair or regeneration of tissue intended for large markets such as bone grafting, vascular systems and severe osteoporosis. The CPP business markets the AastromReplicell™ System to researchers and companies for their production of cells for clinical trials. These two businesses are intended to enable Aastrom to generate multiple paths to revenue. The initial commercial phase of the CPP business for dendritic cell production products is underway in Europe and the United States. 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, potential product applications, and anticipated future grant applications and clinical trials, which involve certain risks and uncertainties. The forward-looking statements are also identified through use of the words "potential," "intended," "may," "should," "anticipates," 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 uncertainties inherent in product development activities and early studies, the availability of 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.

CONTACTS:

Kris M. Maly or Becky Anderson
Investor Relations Department
Aastrom Biosciences, Inc.
Phone: (734) 930-5777