



Pacific Ethanol, Inc.
Driven by Demand™

Investor Presentation
August 2010





Pacific Ethanol, Inc.

Cautionary Statements

With the exception of historical information, the matters discussed in this presentation including, without limitation: the ability of Pacific Ethanol to continue as the leading West Coast marketer and producer of low-carbon renewable fuels; the ability of Pacific Ethanol to resume production at the California plants, which is at the discretion of the third-party plant owner; the ability of Pacific Ethanol to successfully staff, manage and operate the four ethanol production facilities and the expected remuneration for those services; if it elects to exercise its option, the ability of Pacific Ethanol to raise additional debt or equity capital, or both, to timely finance the purchase price for up to 25% of the ownership interests in the four ethanol production facilities; the ability of Pacific Ethanol to grow its business and generate revenue, earnings growth and increase its market share; the ability of the California plants to continue to qualify and ultimately receive payments under the California Ethanol Producer Incentive Program; the ability of the state of California to fund the program payments given California's challenging fiscal environment; and the ability of Pacific Ethanol to restructure its remaining indebtedness are forward-looking statements and considerations that involve a number of risks and uncertainties. The actual future results of Pacific Ethanol could differ from those statements. Pacific Ethanol refers you to the "Risk Factors" section contained in Pacific Ethanol's most recent Form 10-Q filed with the Securities and Exchange Commission on August 16, 2010 and its Form 10-K filed with the Securities and Exchange Commission on March 31, 2010.



Pacific Ethanol Today

Pacific Ethanol, Inc.

- 🌐 Creating a solid foundation on which to grow via improved financial performance combined with strengthened balance sheet
- 🌐 Growing market opportunity augmented by positive regulatory changes
- 🌐 Executing growth strategy → Positioned to capture market share in
 - ◆ Production
 - ◆ Asset Management
 - ◆ Marketing
- 🌐 Evaluating opportunities to increase operating leverage and earnings growth

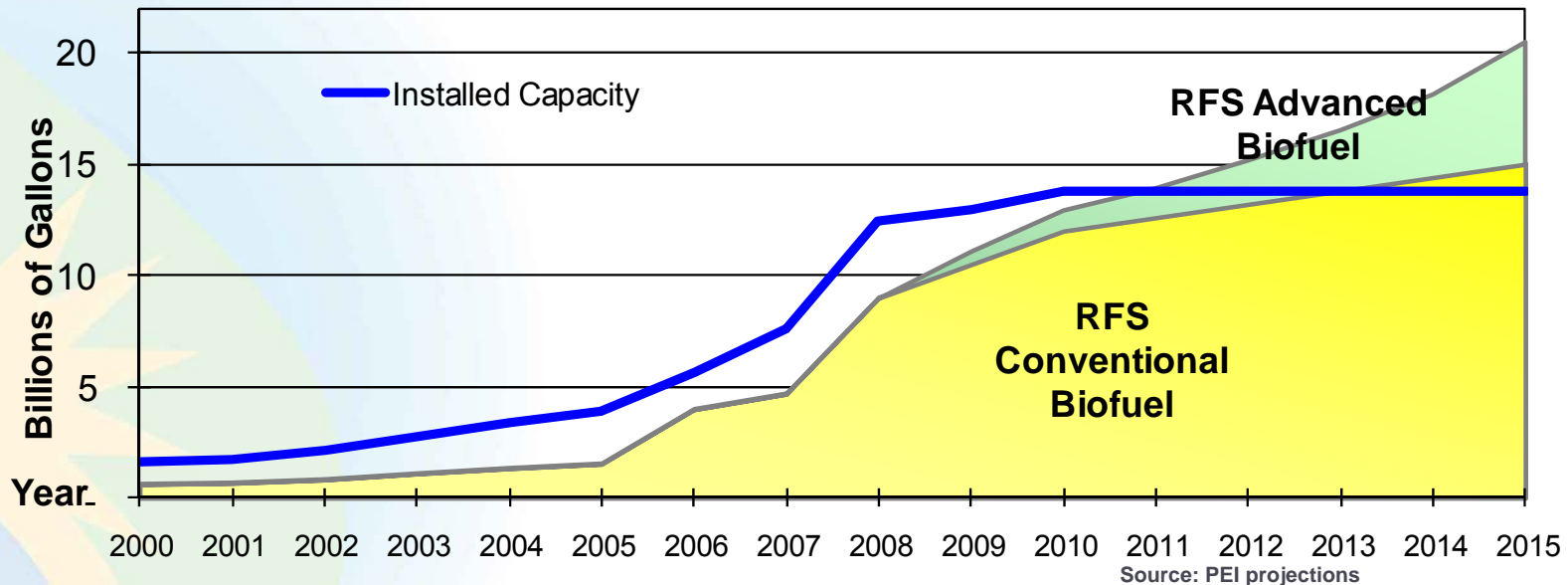
- 🌐 Founded in Jan. '03
- 🌐 IPO in Mar. '05:
First pure play public ethanol company
- 🌐 Headquarters in Sacramento, CA
- 🌐 110 employees



Renewable Fuel Standard Supports Demand

Pacific Ethanol, Inc.

Renewable Fuel Standard vs. Installed Capacity



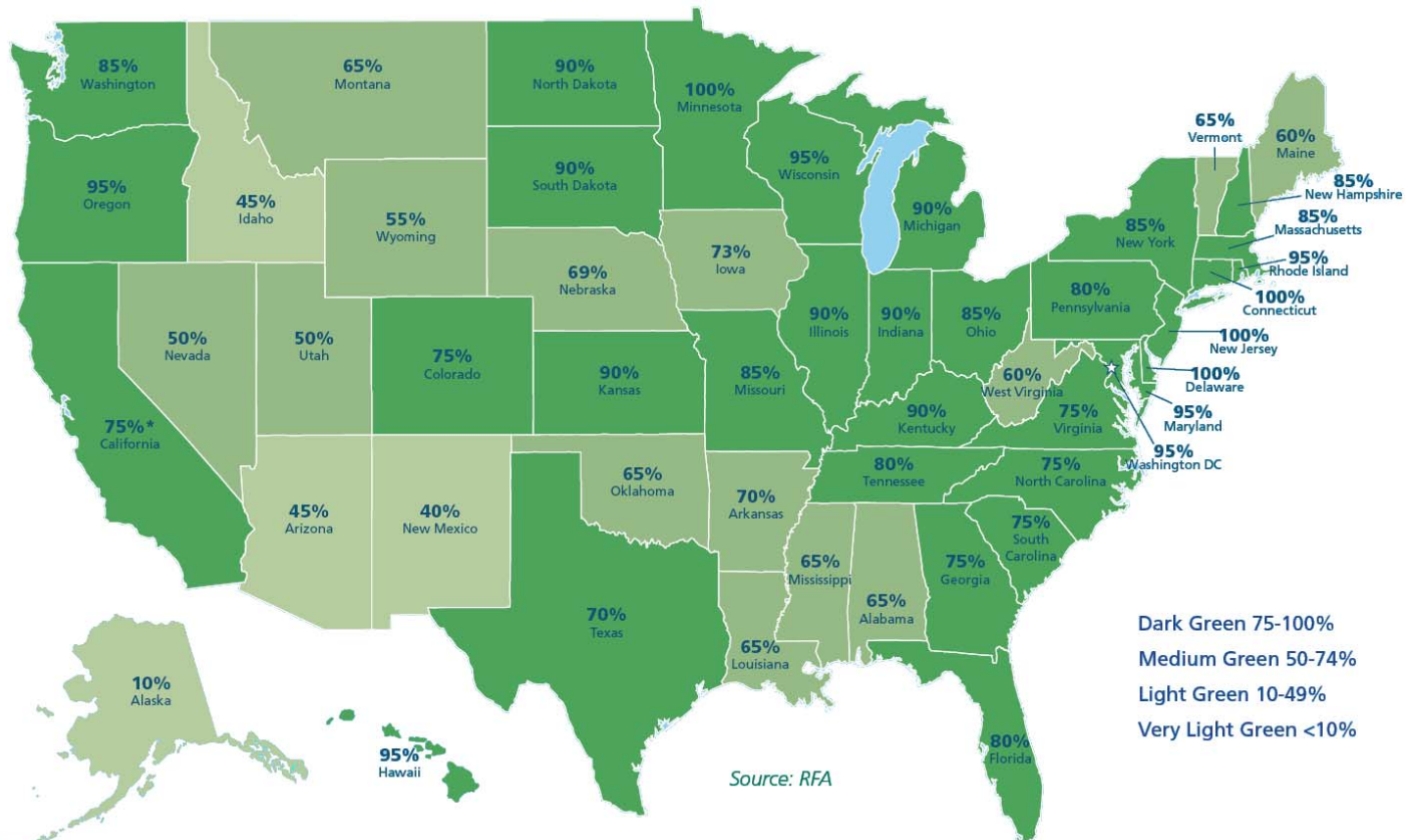
- 15 billion gallons per year (BGY) conventional bio-fuel by 2015; 36 BGY total by 2022 under current RFS
- Current U.S. gasoline consumption ~ 140 BGY
- 2010 U.S. ethanol demand at 12.5 BGY; 9% of fuel supply
- Higher level blends and investment in existing and new technology required to meet RFS goals



Market Penetration By State (10% Ethanol Blends as Share of State Gasoline Sales)

Pacific Ethanol, Inc.

E10 MARKET ESTIMATION 2009



Source: RFA

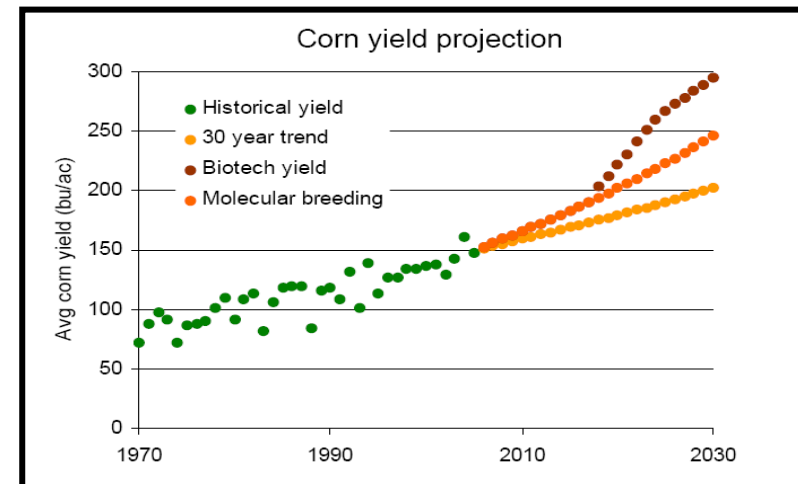
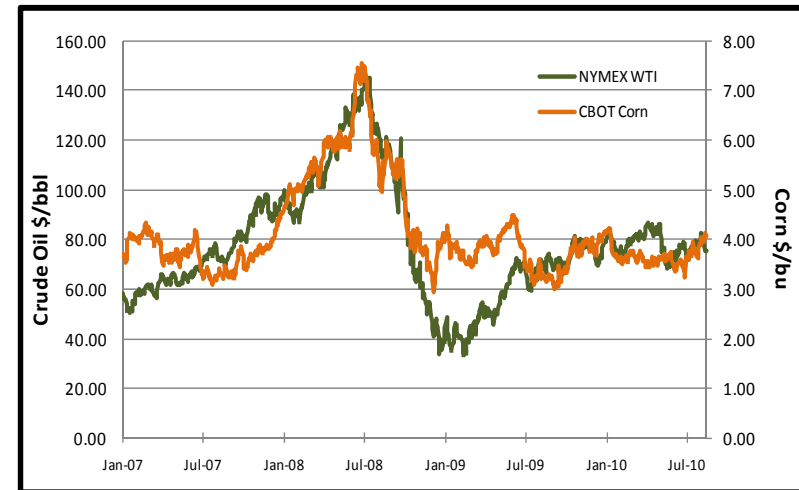
* CA blended at 10% effective Jan 1, 2010



Ethanol = Food and Fuel

Pacific Ethanol, Inc.

- Corn used in ethanol production is livestock feed not food for human consumption
- Ethanol producers are feed producers
 - ◆ Production concentrates protein, fat, minerals and fiber into high value feed product
- Corn price has a minor impact on food price; petroleum is the single largest contributing factor to the price of food
- Continued increase in yields per acre allows for land to be used for food, feed, fuel, and fiber



Data Source: Monsanto



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Ethanol = Low Carbon Fuel

California is First in Nation to Regulate CO2

- Ground breaking regulation requires lower carbon fuels such as ethanol
- Refiners must reduce by 10% the carbon intensity in their fuels by 2020
- Biofuels will play a major role as cost-effective compliance option for refiners
- California regulation recognizes PEI's plants as the lowest carbon ethanol produced in US providing a 44% reduction on a direct full life cycle basis compared to gasoline on a direct basis

Indirect Impacts

- California Air Resources Board assesses biofuels with an additional carbon intensity score to quantify indirect effects such as land use emissions associated with other agricultural crops around the world
- Such assessment is controversial: CARB and EPA are reevaluating methods and models
- Even still, Pacific Ethanol plants remain lowest and best compliance option for refiners in the US



Pacific Ethanol Business Model

Pacific Ethanol, Inc.

Mission: To be the leading West Coast marketer and producer of low carbon renewable fuels

Production

- Ethanol
- Wet distillers grain (WDG)

Asset Management

- 4 plants
- 200MGY

Marketing

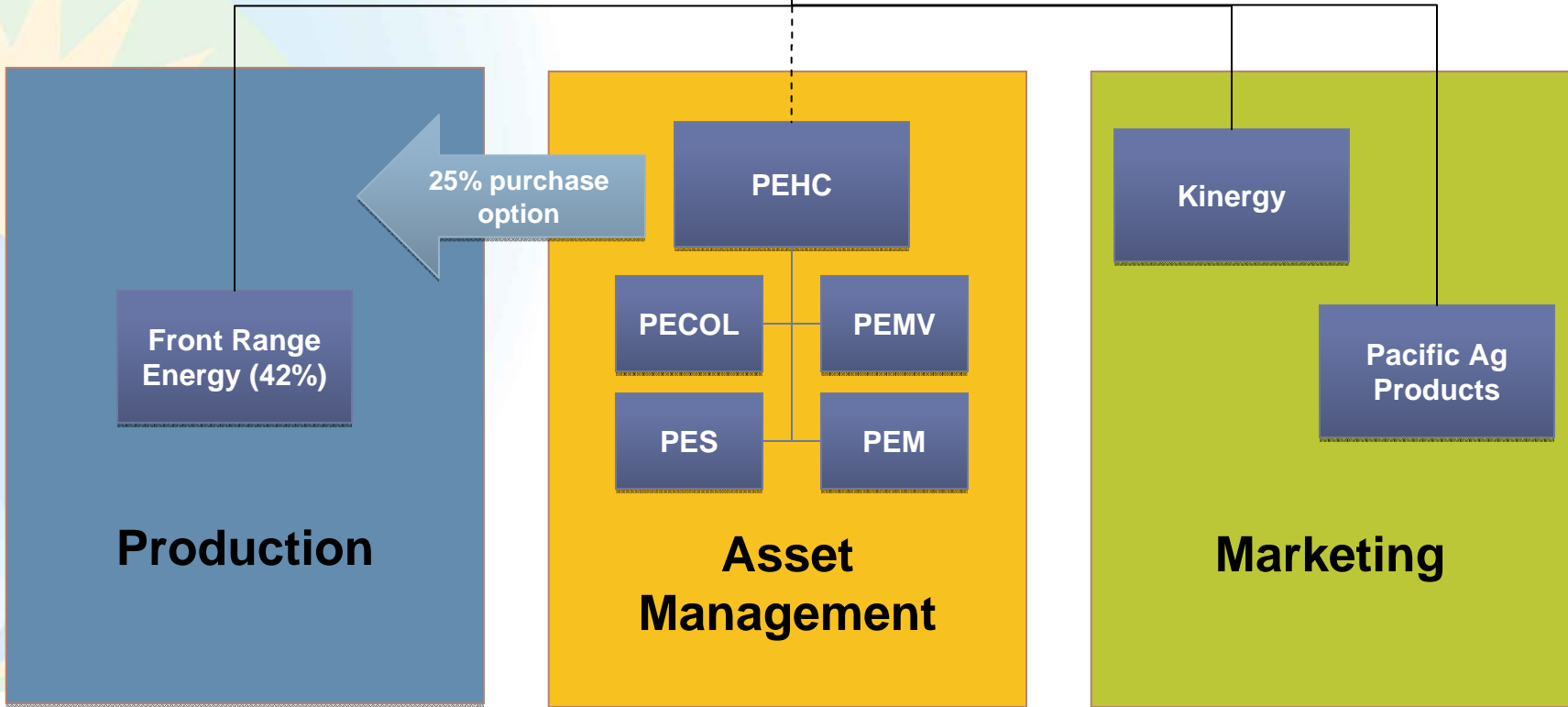
- Kinergy
- Pacific Ag Products



Organizational Structure

Pacific Ethanol, Inc.

Pacific Ethanol, Inc.





Management Team and Board of Directors

Pacific Ethanol, Inc.

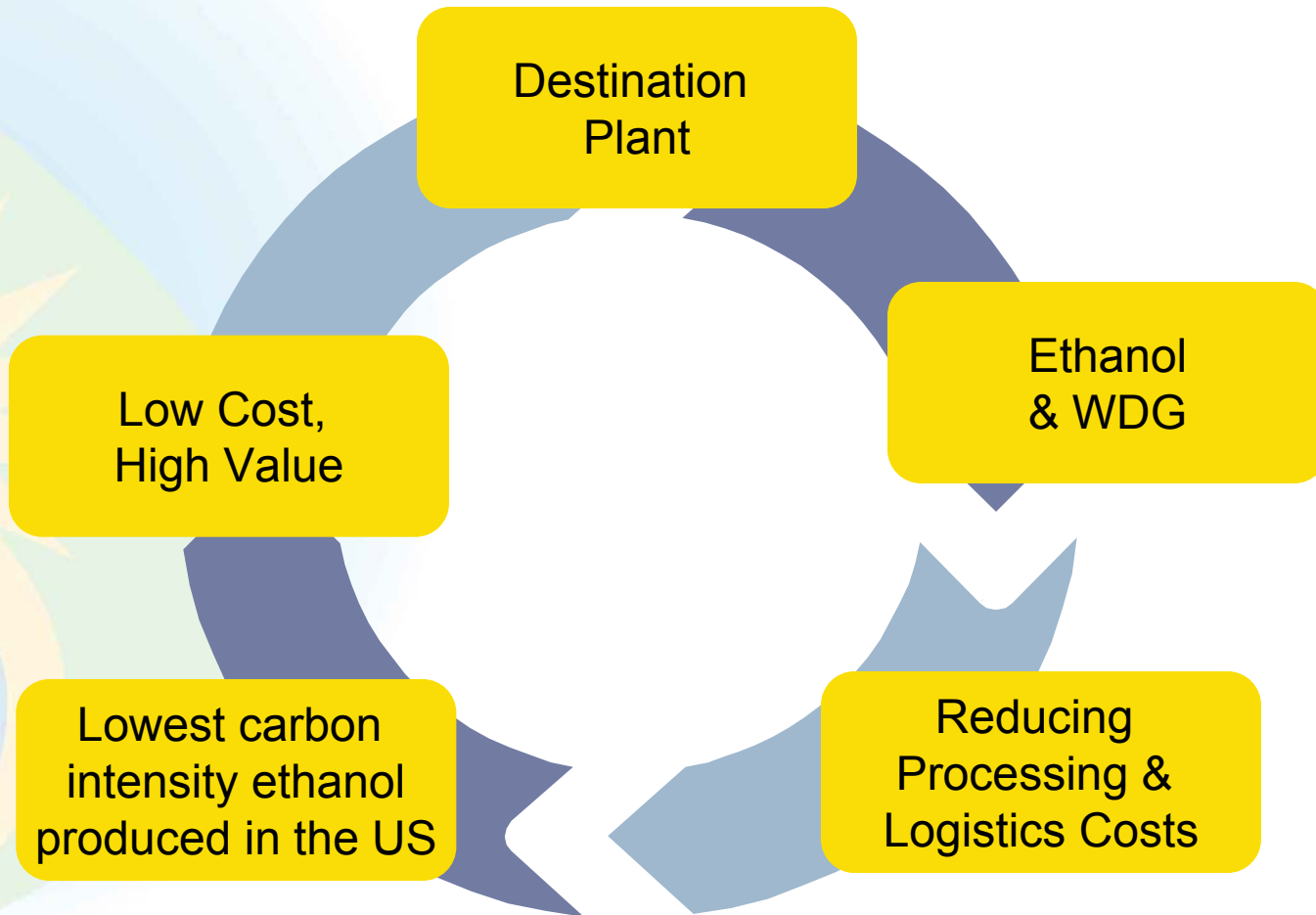
Management Team	Title	Yrs in Industry	Background
Neil Koehler	CEO and Founder, Director	25	<ul style="list-style-type: none"> 24 yrs in producing and marketing ethanol in CA Director of the CA Renewable Fuels Partnership
Bryon McGregor	CFO	12	<ul style="list-style-type: none"> 21 years in treasury, banking and finance
Christopher Wright	VP and General Counsel	3	<ul style="list-style-type: none"> 23 yrs in growth company BOD advisory Focus on securities and strategic transactions
Greg DiBiase	VP Supply and Marketing	10	<ul style="list-style-type: none"> 16 yrs in petroleum industry
Paul Koehler	VP Corporate Development	9	<ul style="list-style-type: none"> 20 yrs in energy project development & marketing

Board Member	Title	Background
Bill Jones	Chairman & Founder	<ul style="list-style-type: none"> 20 years in California politics, 8 of which as Secretary of State (1994-2002) Central Valley farmer and rancher
Michael Kandris	Director	<ul style="list-style-type: none"> President, Western Division of Ruan Transportation Management Systems 30 years of experience in transportation and logistics
Doug Kieta	Director	<ul style="list-style-type: none"> SVP for Calpine Construction Management Oversaw \$18B build-out of power assets
Larry Layne	Director	<ul style="list-style-type: none"> Former Vice Chairman of Sanwa Bank Former Chairman of the Board of Eureka Funds
Jack Prince	Director	<ul style="list-style-type: none"> Former President and CEO of Dairyman's Cooperative Creamery Association Former EVP of Land O' Lakes
Terry Stone	Director	<ul style="list-style-type: none"> CPA, 30 years of experience in accounting and taxation Owner of accountancy firm
Ryan Turner	Director	<ul style="list-style-type: none"> Co-founder of PEI California Managing partner of private investment group



Production

Pacific Ethanol, Inc.





Asset Management

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- Chosen for expertise
- Managing plants
 - ◆ 100MGY gallons active:
 - Pacific Ethanol Columbia in Boardman, OR
 - Pacific Ethanol Magic Valley in Burley, ID
 - ◆ 100MGY gallons idle:
 - Pacific Ethanol Stockton in Stockton, CA
 - Pacific Ethanol Madera in Madera, CA
- California plants approved for California Ethanol Producer Incentive Program (CEPIP)



Marketing

Pacific Ethanol, Inc.

Kinergy:

- Favorable ethanol blend economics
- Low carbon fuel standards
- Differentiated marketing & distribution

Pacific Ag Products:

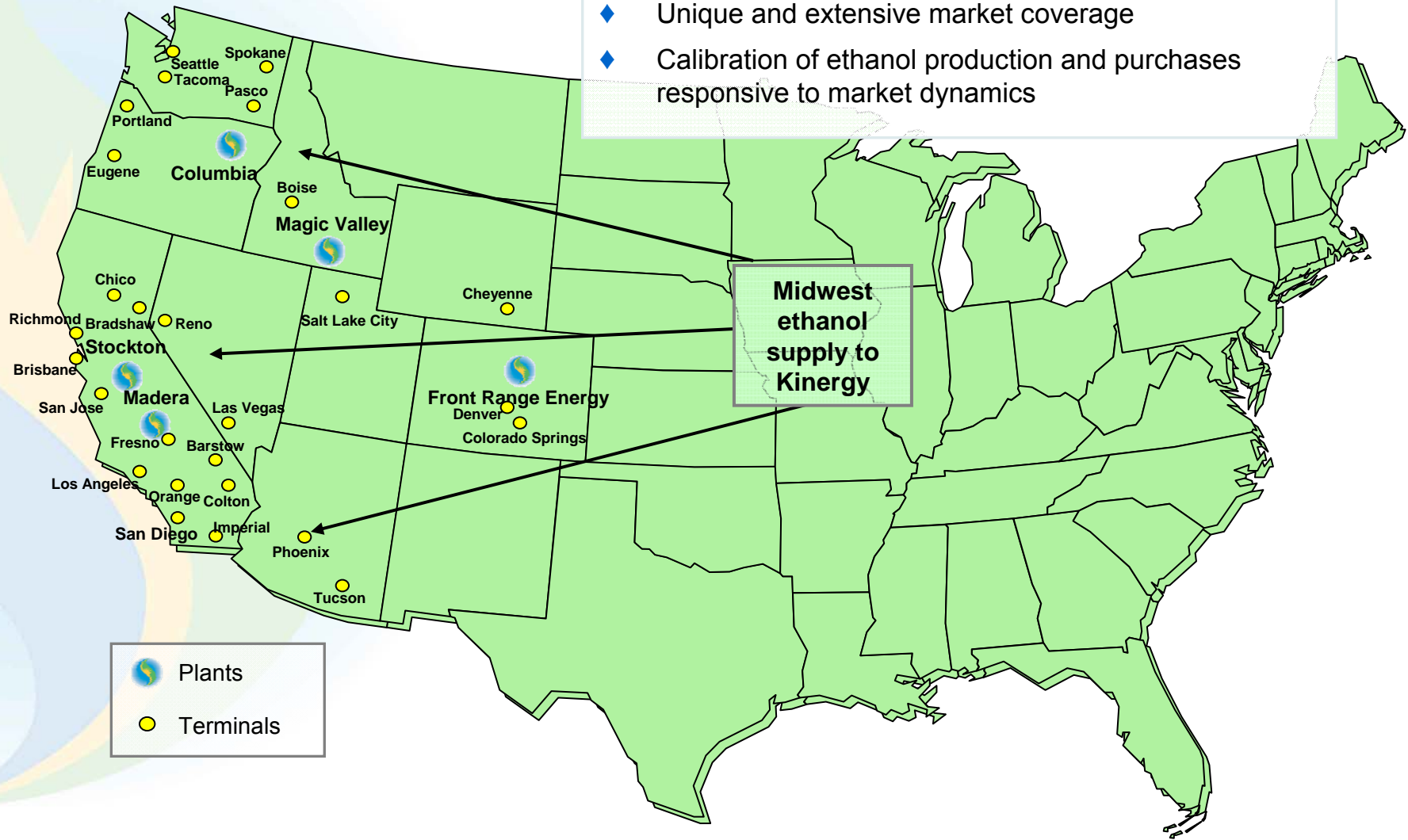
- Value of WDG
- Additional service & logistics opportunities



Production and Marketing Advantage: Ethanol Facilities, Terminals, and Midwest Supply

Pacific Ethanol, Inc.

- ◆ Unique and extensive market coverage
- ◆ Calibration of ethanol production and purchases responsive to market dynamics

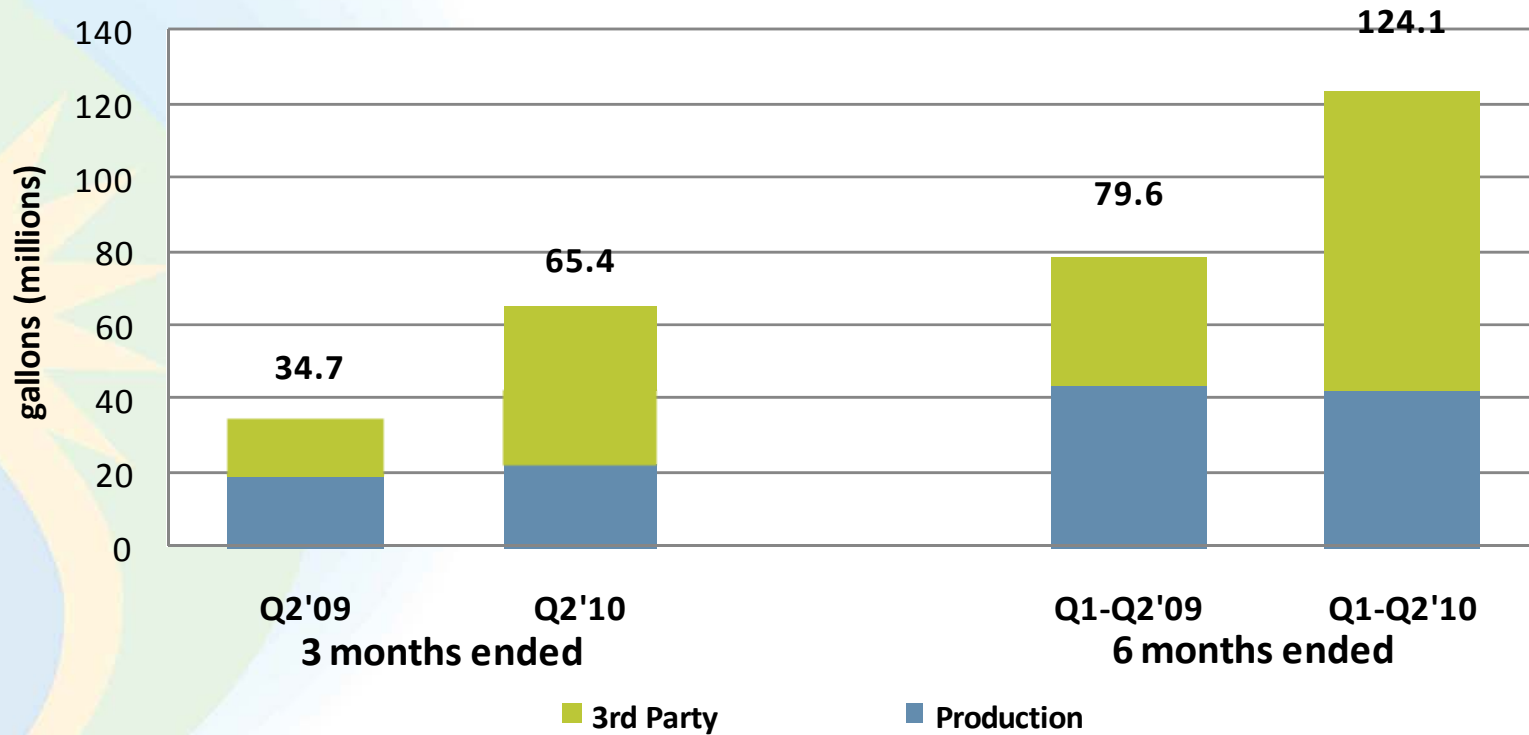


◆ Plants
● Terminals



Ethanol Gallons Sold

Pacific Ethanol, Inc.



Reflects adoption of equity accounting policy as of 1/1/10



Improving Financial Results

Pacific Ethanol, Inc.

<i>(In millions, unaudited)</i>	<u>For the 3 mths ended</u>		<u>For the 6 mths ended</u>	
	Jun. 30, '10	Jun. 30, '09	Jun. 30, '10	Jun. 30, '09
Net sales	\$ 76.8	\$70.1	\$148.0	\$156.8
Gross loss	(2.7)	(7.8)	(5.8)	(18.9)
SG&A	3.2	6.3	6.3	13.9
Net inc. (loss) avail. to CS ⁽¹⁾	107.8	(28.2)	96.1	(52.9)
Adjusted EBITDA ⁽²⁾	(6.7)	(15.1)	(13.2)	(24.3)

(1) Recorded a \$119.4M non-cash gain from the disposition of \$294.5M liabilities net of \$175.1M assets.

(2) Adjusted EBITDA reconciliation at the end of the presentation.



Strengthening Balance Sheet

Pacific Ethanol, Inc.

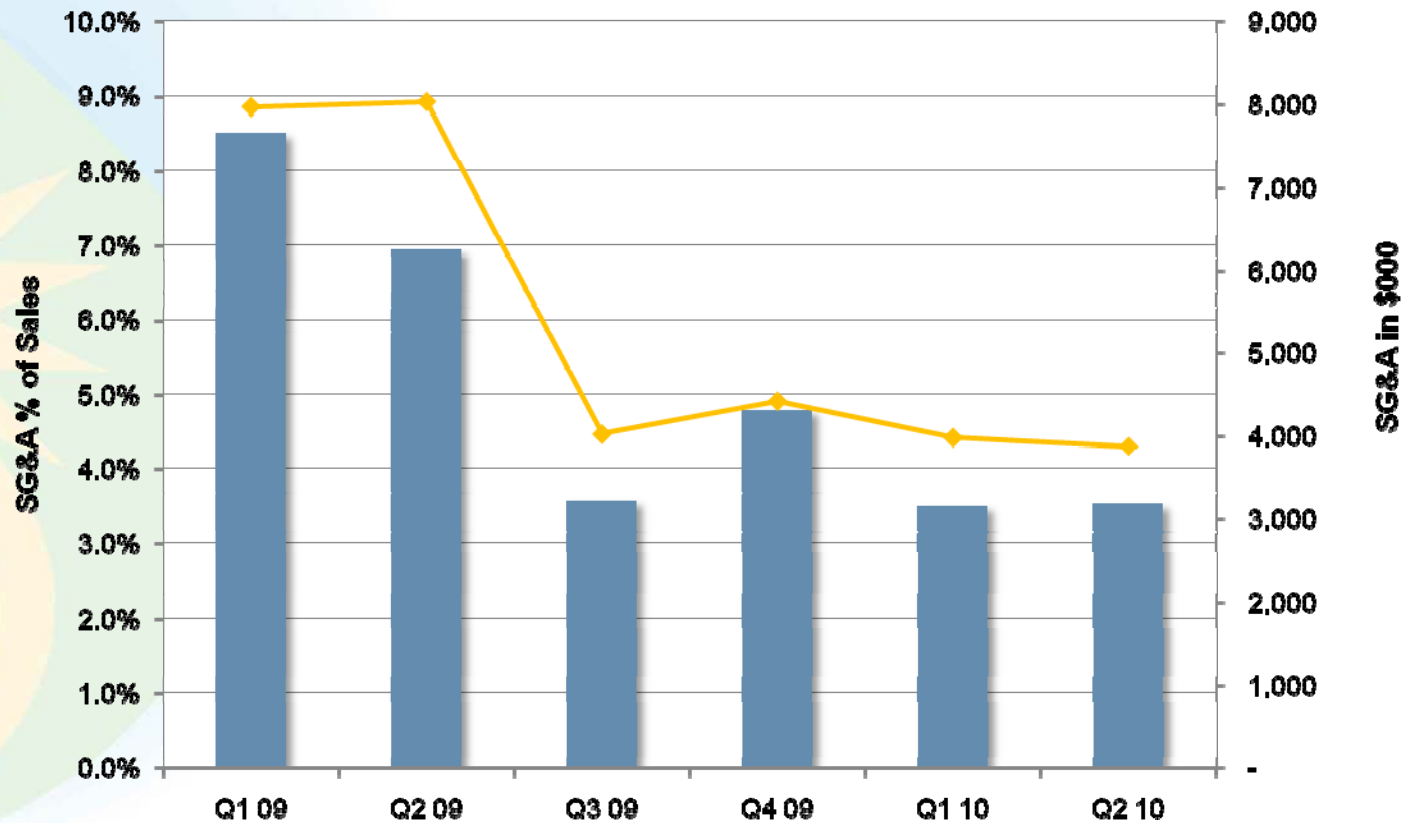
<i>(In millions, unaudited)</i>	Jun. 30, '10	Mar. 31, '10
Cash	\$ 2.0	\$ 2.9
Working capital	(19.5)	(62.2)
Total assets	55.6	231.9
Plant debt & other liabilities	0.0	290.5
Corporate notes payable	14.5	23.5



Reducing SG&A

Pacific Ethanol, Inc.

PEI significantly reduced SG&A expenses





Capital Structure

Pacific Ethanol, Inc.

PEIX Capital Structure

(in thousands, except strike price)

Debt

	<u>6/30/2010</u>	<u>12/31/2009</u>
Corporate Debt (1)	\$ 14,500	\$ 33,500
Kinergy Working Capital Line of Credit	1,731	2,452
Accrued Interest – Corporate Debt	4,424	2,851
Accrued Dividends on Series B Preferred Stock	4,790	3,202
DIP and DIP Rollup - Plant related	-	39,654
Debt - FRE related (2)	-	14,498
Liabilities subject to compromise - Plant related	-	242,417
Total Debt and Interest	<u>\$ 25,445</u>	<u>\$ 338,574</u>

Equity

Common Shares Outstanding	82,341	57,470
Series B Preferred Stock, as converted	7,038	7,038
Warrants as converted (3)	6,519	6,519
Options as converted (4)	80	80
Total Potential Shares	<u>95,978</u>	<u>71,107</u>

(1) Includes Lyles United, Lyles Mechanical, Bill Jones and Neil Koehler

(2) Effective January 1, 2010, PEI accounts for FRE under equity method

(3) Average strike price of \$7.06; expire in 2013 and 2018

(4) Average strike price of \$8.26; expire in 2015



Pacific Ethanol, Inc.

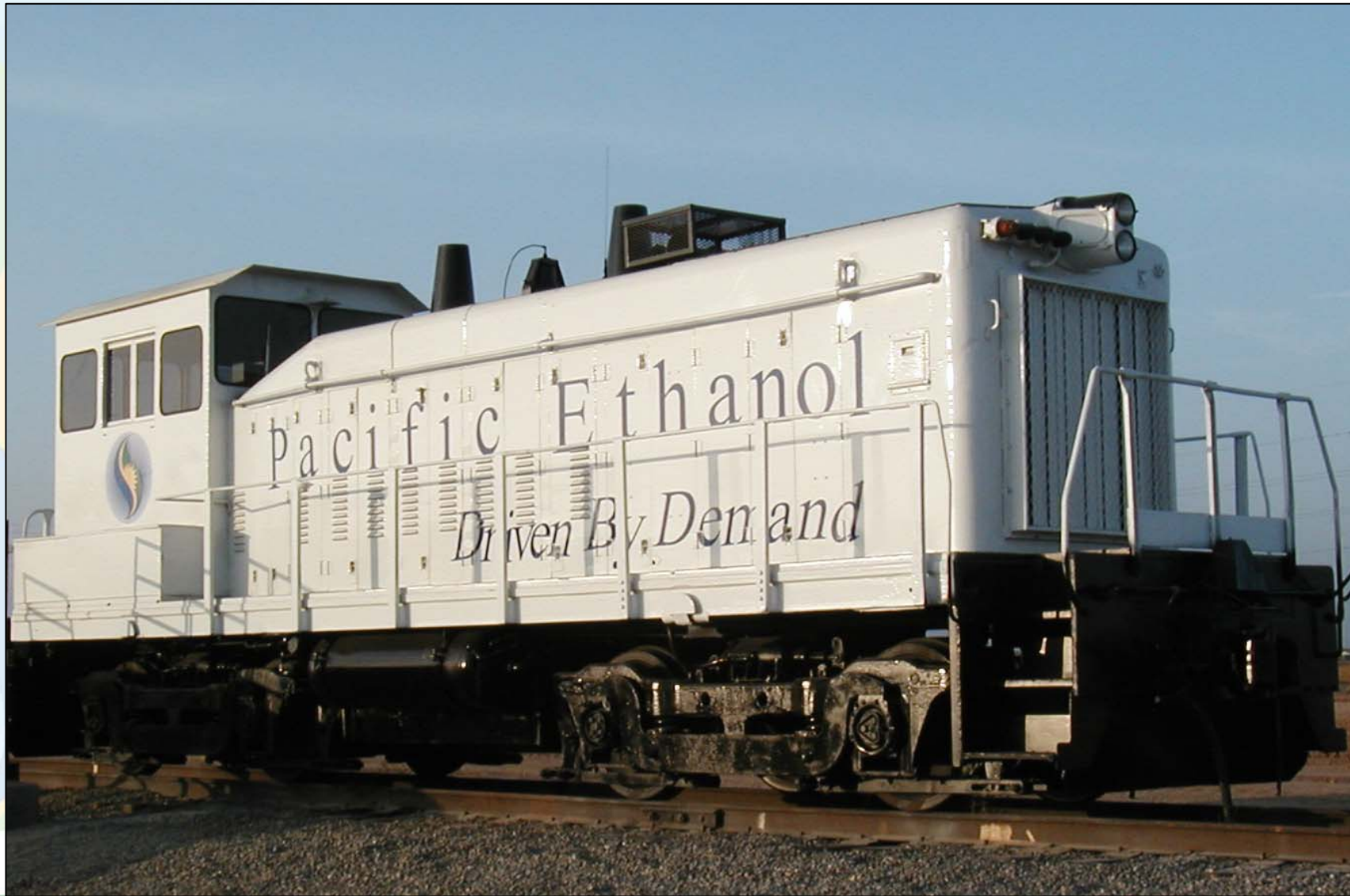
Investment Rationale

- Creating a solid foundation on which to grow via improved financial performance combined with strengthened balance sheet
- Growing market opportunity augmented by positive regulatory changes
- Executing growth strategy → Positioned to capture market share in
 - ◆ Production
 - ◆ Asset Management
 - ◆ Marketing
- Evaluating opportunities to increase operating leverage and earnings growth



Visit our website: www.pacificethanol.net

Pacific Ethanol, Inc.





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Appendix



Major Milestones

Pacific Ethanol, Inc.

2005

March Acquired Kinergy, raised \$21M equity, became publicly traded on NASDAQ

2006

Oct Acquired 42% Front Range Energy

Nov Madera plant fully operational

2007

Feb Closed \$325M senior debt financing

Sept Columbia plant fully operational

2008

Jan Awarded \$24.3M DOE grant for cellulose demonstration plant

March Closed \$40M Lyles United, LLC equity

April Magic Valley plant fully operational

May Closed \$34.5M of equity

July Closed \$40M revolving credit facility for Kinergy with Wachovia

Sept Stockton plant fully operational, achieving overall goal of 220 MGY production capacity by 2008

2009

May Production facilities file for Chapter 11 protection

Dec Restarted Magic Valley plant

2010

March Initiated a program to reduce Parent Company debt in exchange for equity

June Pacific Ethanol plants exit bankruptcy



Corn Ethanol Production

Pacific Ethanol, Inc.



COLUMBIA

Boardman, OR	
Operational:	Q3 2007
Operating Capacity:	40 MGY
Current Status:	Producing



MADERA

Madera, CA	
Operational:	Q4 2006
Operating Capacity:	40 MGY
Current Status:	Idle



MAGIC VALLEY

Burley, ID	
Operational:	Q2 2008
Operating Capacity:	60 MGY
Current Status:	Producing



STOCKTON

Stockton, CA	
Operational:	Q3 2008
Operating Capacity:	60 MGY
Current Status:	Idle



FRONT RANGE ENERGY*

Windsor, CO	
Operational:	Q2 2006
Operating Capacity:	50 MGY
Current Status:	Producing

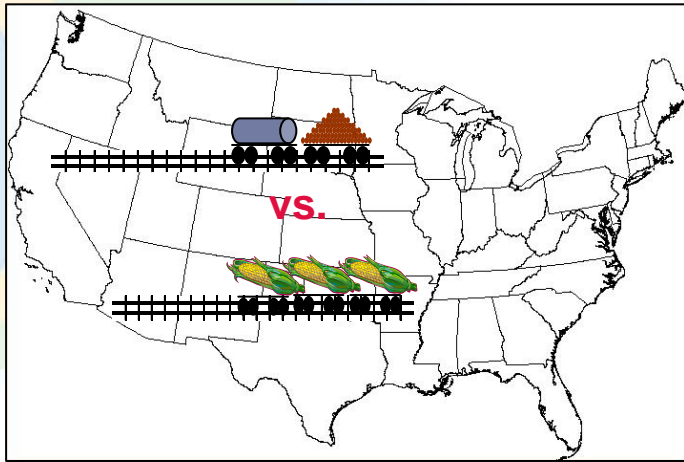
*Pacific Ethanol, Inc. holds 42% ownership



Destination Model Advantage

Pacific Ethanol, Inc.

- Less expensive to move corn than ethanol and distillers grains
 - ◆ Unit vs. single; ease of handling; turnaround times; double-handling
- 30% less processing energy when not drying distillers grains (no dryers)
 - ◆ Higher nutritional content; ease of handling; no product burned off
- Proximity and understanding of local markets
- Access to ports and international market
- Storage value for grain and ethanol assets
- Lower carbon footprint will deliver significant future value





Integrated Marketing & Distribution

Pacific Ethanol, Inc.

Kinergy Marketing

- ◆ Founded in October 2000
- ◆ Marketing 260M gallons annually based on Q210 run rate
- ◆ Marketed 173M gallons in 2009
- ◆ Provides transportation, storage, and logistical services to customers
- ◆ Extensive market presence in Western U.S.
- ◆ Customer base: Large integrated oil companies; Independent refiners and distributors

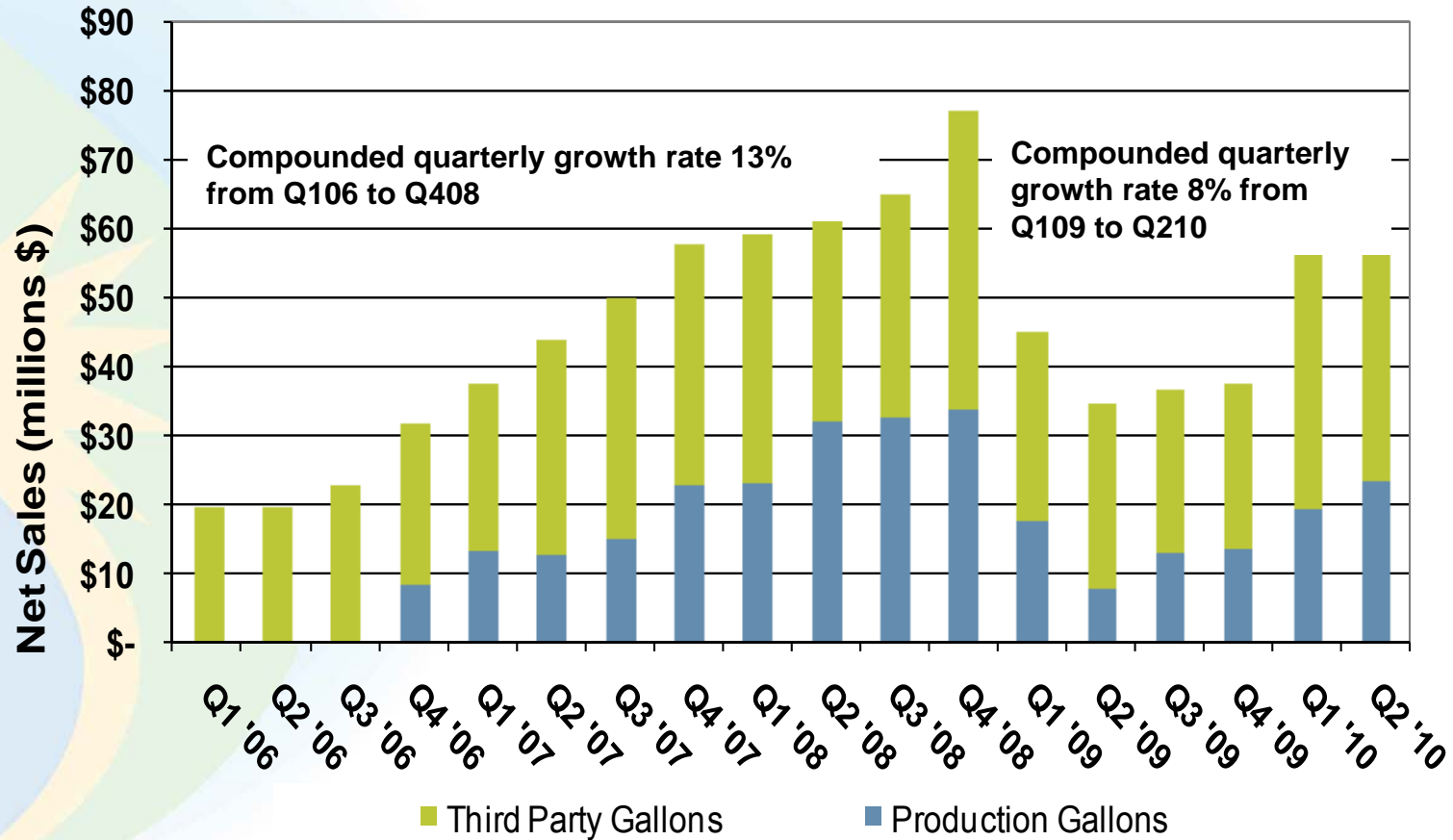
Pacific Ag Products

- ◆ Founded in June 2003
- ◆ Marketing 829,000 gallons annually based on Q210 run rate
- ◆ Marketed 367,000 tons in 2009
- ◆ Manages corn procurement and risk management
- ◆ Develops and markets value-added feed products
- ◆ Explores alternative, lower cost feedstocks for incremental use in existing ethanol plants



Kinergy Gallons Sold

Pacific Ethanol, Inc.





Adjusted EBITDA to Net Income (Loss) Reconciliation

Pacific Ethanol, Inc.

<i>(in millions, unaudited)</i>	<u>For the 3 mths ended</u>		<u>For the 6 mths ended</u>	
	Jun. 30, '10	Jun. 30, '09	Jun. 30, '10	Jun. 30, '09
Net income (loss) attributed to PEI	\$ 108.6	\$ (27.4)	\$ 97.7	\$ (51.3)
Adjustments:				
Interest expense*	1.3	4.3	2.9	11.2
Interest income*	—	—	—	—
Gain from bankruptcy exit	(119.4)	—	(119.4)	—
Depreciation and amortization expense*	<u>2.8</u>	<u>7.9</u>	<u>5.7</u>	<u>15.9</u>
Total adjustments	<u>(115.3)</u>	<u>12.2</u>	<u>(110.8)</u>	<u>27.1</u>
Adjusted EBITDA	\$ <u>(6.7)</u>	\$ <u>(15.1)</u>	\$ <u>(13.2)</u>	\$ <u>(24.3)</u>

* Adjusted for non-controlling interest in variable interest entity for the three and six months ended June 30, 2009.