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Pacific Ethanol, Inc. Announces \$145 Million Private Placement

Highlights:

- \$145 Million PIPE to provide approximately \$138 million in net proceeds
- Will accelerate existing five-plant construction plan
- Provides equity for approximately 200 million gallons of additional annual nameplate production capacity by 2010
- Enables investment in corn and cellulose process technologies

FRESNO, CA May 26, 2006 -- Pacific Ethanol, Inc. (Nasdaq: PEIX), today announced that it has entered into a definitive purchase agreement with a group of institutional investors to sell 5,496,583 shares of common stock at a price of \$26.38 per share for gross proceeds of \$145 million. The purchase price per share was determined based on a discount of approximately 10% to the average closing bid price of the Company's common stock for the preceding five trading days. The investors will also acquire warrants under which they will have the right to purchase an additional 2,748,295 shares of common stock at \$31.55 per share commencing six months after the closing and ending on the later of nine months from closing or 30 days after the effectiveness of a registration statement covering their resale. Cowen and Company acted as the exclusive placement agent for the offering.

The net proceeds of approximately \$138 million (not including any proceeds that may be received from the exercise of the warrants) are expected to provide the Company with sufficient cash to both accelerate its stated goal of completing five ethanol production facilities totaling 220 million gallons per year by the end of 2008 and to expand its plans to complete additional ethanol production facilities, increasing total nameplate capacity to 420 million gallons per year by the end of 2010. Additionally, a portion of the net proceeds will be earmarked for strategic investments in corn and cellulose process technologies.

The securities sold in this private placement have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States in the absence of an effective registration statement or exemption from registration requirements. The Company has agreed to file a resale registration statement on Form S-3 within 30 days after the closing of the transaction for the purpose of

registering the resale of the shares of common stock issued at the closing and the shares of common stock underlying the warrants.

About Pacific Ethanol, Inc.

The primary goal of Pacific Ethanol, Inc. is to become the leader in the development, production and marketing of renewable fuels in the western United States. Established in 2003, Pacific Ethanol is constructing its first large scale ethanol production facility in Madera County, California, and is developing four additional plants on the West Coast. Kinergy Marketing, LLC, a wholly owned subsidiary of Pacific Ethanol, is the largest West Coast-based marketer of ethanol. In addition, Pacific Ethanol is working to identify and develop other renewable fuel technologies such as cellulose-based ethanol production and bio-diesel.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

With the exception of historical information, the matters discussed in this press release are forward-looking statements that involve a number of risks and uncertainties. The actual future results of Pacific Ethanol could differ from those statements. Factors that could cause or contribute to such differences include, but are not limited to, Pacific Ethanol's ability to successfully close the private placement transaction, which is subject to numerous customary closing conditions, including approval by Nasdaq of Pacific Ethanol's additional listing application covering the shares of common stock issued at the closing of the private placement transaction and the shares of common stock underlying the warrants; the ability of Pacific Ethanol to obtain all necessary debt financing to complete construction of its planned ethanol production facilities and, assuming all such funding is obtained, the ability of Pacific Ethanol to successfully complete construction of those facilities; the ability of Pacific Ethanol to successfully capitalize on its internal growth initiatives; the price of ethanol relative to the price of gasoline; and those factors contained in the "Risk Factors" section of Pacific Ethanol's Form 10-KSB for the year ended December 31, 2005.

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