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Pacific Ethanol, Inc.

**FOR IMMEDIATE RELEASE**

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## **Pacific Ethanol, Inc. Announces Second Quarter Results and Provides New Details on Ethanol Production Projects**

### **Highlights**

- **Net sales for Q2 of 2006 approximately double those of Q2 of 2005**
- **Company closed on over \$220 million in equity financings**
- **Strong cash position**
- **Construction of plants in California and Oregon continue on schedule for completion in Q4 of 2006 and Q2 of 2007, respectively**
- **Three additional ethanol plant projects in advanced stages of development**
- **Key executive group strengthened – key positions filled**
- **Board of Directors strengthened - new board members appointed**

**Fresno, CA, August 18, 2006 – Pacific Ethanol, Inc. (NASDAQ GM: PEIX)** today reported operating results for the three and six months ended June 30, 2006.

### **Three Months Ended June 30, 2006**

For the quarter ended June 30, 2006, the Company reported net sales of \$46.5 million, an increase of \$23.6 million, or 104%, as compared to \$22.8 million for the second quarter of 2005. This increase in net sales resulted from an increase in the Company's sales volume of approximately 4.2 million gallons, or 27%, to 19.8 million gallons from 15.6 million gallons for the second quarter of 2005 and an increase in the Company's average price of ethanol by \$0.99, or 68%, to \$2.45 per gallon from \$1.46 per gallon for the second quarter of 2005.

Gross profit for the second quarter of 2006 totaled \$3.3 million, as compared to \$151,525 for the second quarter of 2005. Gross profit as a percentage of net sales increased to 7.1% for the quarter ended June 30, 2006 as compared to 0.7% for the same period in 2005. The increase in gross profit as a percentage of net sales and the increase of total gross profit are attributable to

the Company's net long position on ethanol purchases, which provided the Company with significant supply volumes at prices that had been contracted for prior to an increase in ethanol market prices.

Net loss for the second quarter of 2006 decreased to \$182,373, as compared to \$2.2 million for the second quarter of 2005. The Company reported basic and diluted loss per common share of \$2.56 for the second quarter of 2006 as compared to \$0.08 for the same period in 2005. Approximately \$2.53 of the total \$2.56 in basic and diluted loss per common share is due to the Company recording a deemed dividend on its preferred stock in the amount of \$84 million. This one-time non-cash, non-recurring dividend is to reflect the implied economic value to the preferred stockholder of being able to convert its shares into common stock at a price which is in excess of the fair value of the preferred stock on the date of issuance. Absent this one-time deemed dividend, the Company would have reported basic and diluted loss per common share of \$0.03 for the second quarter of 2006.

### **Six Months Ended June 30, 2006**

The Company's results of operations for the six months ended June 30, 2005 include the operations of the Company's wholly-owned subsidiary, Kinergy Marketing, LLC, only from March 23 through June 30, 2005. Kinergy's net sales for the period from January 1 through March 22, 2005 were approximately \$23.6 million and, along with other components of Kinergy's results of operations, are not included in the Company's results of operations for the six months ended June 30, 2005. The Company's results of operations for the six months ended June 30, 2006 consist of the operations of the Company and all of its wholly-owned subsidiaries, including Kinergy, for that entire period.

For the six months ended June 30, 2006, the Company reported net sales of \$84.7 million, an increase of \$59.6 million, or 237%, as compared to \$25.1 million for the same period in 2005. A substantial portion of the increase was attributable to the exclusion of Kinergy's net sales for the period from January 1 through March 22, 2005 from the Company's results of operations for the six months ended June 30, 2005. For the six months ended June 30, 2006, sales volume increased by 22.7 million gallons, or 134%, to 39.7 million gallons from 17.0 million gallons for the six months ended June 30, 2005 and the Company's average sales price of ethanol increased by \$0.70 per gallon, or 47%, to \$2.18 per gallon from \$1.48 per gallon for the six months ended June 30, 2005.

Gross profit for the six months ended June 30, 2006 increased by \$5.4 million to \$5.6 million, as compared to \$199,152 for same period in 2005. Gross profit as a percentage of net sales increased to 6.7% for the six months ended June 30, 2006 as compared to 0.8% for the same period in 2005. Gross profit increased partly as a result of the exclusion of Kinergy's gross profit for the period from January 1 through March 22, 2005 from the Company's results of operations for the six months ended June 30, 2005. The increase in gross profit as a percentage of net sales and the increase in total gross profit are also attributable to the Company's net long position on ethanol purchases, which provided the Company with significant supply volumes at prices that had been contracted for prior to the increase in ethanol market prices.

Net loss for the six months ended June 30, 2006 totaled \$794,137 as compared to \$3.9 million for the same period in 2005. The Company reported basic and diluted loss per common share of \$2.73 for the six months ended June 30, 2006 as compared to \$0.18 for the same period in 2005. Approximately \$2.67 of the total \$2.73 in basic and diluted loss per common share is due to the Company recording a deemed dividend on its preferred stock as described above. Absent this one-time deemed dividend, the Company would have reported basic and diluted loss per common share of \$0.05 for the six months ended June 30, 2006.

As of June 30, 2006, the Company had cash totaling approximately \$200 million (including restricted cash for plant construction and acquisitions in the amount of approximately \$60 million). The Company's significant cash position is predominantly due to the completion of two equity financings during the second quarter of 2006.

Neil Koehler, President and Chief Executive Officer, commented, "The second quarter was a pivotal one for Pacific Ethanol on many fronts, and we are happy to observe that the Company is substantially stronger than it was just three months ago. We secured enough financing to accelerate our plant build-out program and broke ground on a second plant in Boardman, Oregon. The number of gallons of ethanol sold during the second quarter of 2006 increased by 27% over the number of gallons sold during the second quarter of 2005. Despite substantial costs associated with accounting, legal and other professional fees associated with our corporate finance activities and other investments in software and systems, our net loss showed substantial improvement over last year."

Mr. Koehler also noted that, "We are now in advanced stages of development of three additional ethanol plants in two Western states. We expect to begin construction on all of these sites before the end of the first quarter of 2007. When combined with our existing plant sites in Madera, California, and Boardman, Oregon, we expect that our total annual nameplate capacity will be 220 million gallons by mid-2008, putting us six months ahead of our earlier stated goals of achieving that level of production by the end of 2008. Combined with other projects currently under development, we are ahead of schedule to reach total annual nameplate capacity of 420 million gallons by 2010."

Bill Jones, Chairman of the Board, added "During the second quarter, we continued to add valuable members to our senior management team and our Board of Directors with the appointments of John Miller as Chief Operating Officer and Christopher Wright as General Counsel, and the appointments of Douglas Kieta and Robert Thomas to our Board. We anticipate further expansion of our management in the months ahead as we bring plants on line and expand the number of construction projects under way."

A copy of the Company's Form 10-Q is available at [www.pacificethanol.net](http://www.pacificethanol.net) and [www.sec.gov](http://www.sec.gov).

### **About Pacific Ethanol**

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 facilities in Madera County, California and Boardman, Oregon and is developing additional facilities in the Western United

States. Pacific Ethanol, through its wholly-owned subsidiary, Kinergy Marketing, LLC, 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, the ability of Pacific Ethanol to successfully and timely complete construction of its ethanol plants in Madera County, California and Boardman, Oregon; the ability of Pacific Ethanol to accelerate, maintain and timely complete its plant build-out program for additional ethanol plants and to successfully capitalize on its other internal growth initiatives; the ability of Pacific Ethanol to obtain all necessary financing to complete the construction of its planned ethanol production facilities; the ability of Pacific Ethanol to operate its plants at their planned production capacity; the price of ethanol relative to the price of gasoline; and those factors contained in the “Risk Factors” section of Pacific Ethanol’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006 filed with the Securities and Exchange Commission on August 18, 2006.

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**[TABLES FOLLOW]**

**PACIFIC ETHANOL, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF JUNE 30, 2006 AND DECEMBER 31, 2005**

<u>ASSETS</u>	June 30, 2006	December 31, 2005
	(unaudited)	
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 139,994,795	\$ 4,521,111
Restricted cash	893,878	—
Investments in marketable securities	—	2,750,000
Accounts receivable (including \$661,839 and \$937,713 as of June 30, 2006 and December 31, 2005, respectively, from related parties)	12,764,801	4,947,538
Notes receivable – related party	—	135,995
Inventories	2,973,345	362,972
Prepaid expenses	321,422	626,575
Prepaid inventory	649,030	1,349,427
Derivative instruments	1,770,282	—
Other current assets	1,560,872	86,054
Total current assets	<u>160,928,425</u>	<u>14,779,672</u>
<b>Property and Equipment, net</b>	<u>52,049,443</u>	<u>23,208,248</u>
<b>Restricted cash for plant construction and acquisitions</b>	60,175,169	—
<b>Goodwill</b>	2,565,750	2,565,750
<b>Intangible assets, net</b>	7,215,839	7,568,723
<b>Other assets</b>	<u>227,803</u>	<u>62,419</u>
<b>Total Assets</b>	<u><u>\$ 283,162,429</u></u>	<u><u>\$ 48,184,812</u></u>

**PACIFIC ETHANOL, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF JUNE 30, 2006 AND DECEMBER 31, 2005**

<u><b>LIABILITIES AND STOCKHOLDERS' EQUITY</b></u>	June 30, 2006	December 31, 2005
	(unaudited)	
<b>Current Liabilities:</b>		
Current portion – related party note payable	\$ 2,123,978	\$ 1,200,000
Accounts payable – trade	10,894,201	4,755,235
Accounts payable – related party	4,660,049	6,411,618
Accrued retention – related party	2,510,794	1,450,500
Accrued payroll	279,672	433,887
Other accrued liabilities	3,829,163	3,422,565
Total current liabilities	<u>24,297,857</u>	<u>17,673,805</u>
<b>Related-Party Notes Payable, Net of Current Portion</b>	<u>—</u>	<u>1,995,576</u>
Total Liabilities	<u>24,297,857</u>	<u>19,669,381</u>
<b>Commitments and Contingencies (Note 7)</b>		
<b>Stockholders' Equity:</b>		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized:		
Series A Cumulative Redeemable Convertible Preferred Stock, 5,250,000 and 0 shares issued and outstanding and aggregate liquidation preference of \$84,897,534 and \$0 as of June 30, 2006 and December 31, 2005, respectively	5,250	—
Common stock, \$0.001 par value; 100,000,000 shares authorized, 37,223,236 and 28,874,442 shares issued and outstanding as of June 30, 2006 and December 31, 2005, respectively	37,223	28,874
Additional paid-in capital	358,356,147	43,697,486
Unvested consulting expense	(1,048,014)	(1,625,964)
Accumulated other comprehensive income	790,602	—
Due from stockholders	(600)	(600)
Accumulated deficit	(99,276,036)	(13,584,365)
Total stockholders' equity	<u>258,864,572</u>	<u>28,515,431</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 283,162,429</u>	<u>\$ 48,184,812</u>

**PACIFIC ETHANOL, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005**  
**(UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net sales (including \$2,722,864, \$8,584,749, \$1,496,178 and \$1,849,236 for the three and six months ended June 30, 2006 and 2005, respectively, to a related party)	\$ 46,461,077	\$ 22,814,433	\$ 84,700,244	\$ 25,116,430
Cost of goods sold	43,153,457	22,662,908	79,067,377	24,917,278
Gross profit	3,307,620	151,525	5,632,867	199,152
Operating expenses:				
Selling, general and administrative expenses	4,758,996	2,393,071	7,743,080	3,136,304
Services rendered in connection with feasibility study	—	—	—	852,250
Loss from operations	(1,451,376)	(2,241,546)	(2,110,213)	(3,789,402)
Other income (expense), net	1,277,479	18,294	1,329,257	(89,559)
Income (loss) before provision for income taxes	(173,897)	(2,223,252)	(780,956)	(3,878,961)
Provision for income taxes	8,476	3,200	13,181	4,800
Net loss	\$ (182,373)	\$ (2,226,452)	\$ (794,137)	\$ (3,883,761)
Preferred stock dividends	\$ (897,534)	\$ —	\$ (897,534)	\$ —
Deemed dividend on preferred stock	(84,000,000)	—	(84,000,000)	—
Loss available to common stockholders	\$ (85,079,907)	\$ (2,226,452)	\$ (85,691,671)	\$ (3,883,761)
Weighted average shares outstanding	33,214,606	27,977,127	31,410,920	21,415,102
Basic and diluted loss per common share	\$ (2.56)	\$ (0.08)	\$ (2.73)	\$ (0.18)

**PACIFIC ETHANOL, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005**  
**(UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net loss	\$ (182,373)	\$ (2,226,452)	\$ (794,137)	\$ (3,883,761)
Other comprehensive income, net of tax:				
Cash flow hedges:				
Net change in the fair value of derivatives, net of tax	116,394	—	790,602	—
Comprehensive loss	\$ (65,979)	\$ (2,226,452)	\$ (3,535)	\$ (3,883,761)

**PACIFIC ETHANOL, INC.**  
**PRO FORMA SUMMARY OF NON-GAAP ADJUSTMENTS TO BASIC**  
**AND DILUTED LOSS PER COMMON SHARE TO REFLECT EXCLUSION OF DEEMED**  
**DIVIDEND ON PREFERRED STOCK**

	Three Months Ended June 30, 2006 (unaudited)		Six Months Ended June 30, 2006 (unaudited)	
	Actual	Pro Forma	Actual	Pro Forma
Net loss	\$ (182,373)	\$ (182,373)	\$ (794,137)	\$ (794,137)
Preferred stock dividends	\$ (897,534)	\$ (897,534)	\$ (897,534)	\$ (897,534)
Deemed dividend on preferred stock	(84,000,000)	—	(84,000,000)	—
Loss available to common stockholders	<u>\$ (85,079,907)</u>	<u>\$ (1,079,907)</u>	<u>\$ (85,691,671)</u>	<u>\$ (1,691,671)</u>
Weighted average shares outstanding	<u>33,214,606</u>	<u>33,214,606</u>	<u>31,410,920</u>	<u>31,410,920</u>
Basic and diluted loss per common share	<u>\$ (2.56)</u>	<u>\$ (0.03)</u>	<u>\$ (2.73)</u>	<u>\$ (0.05)</u>