

Putnam Variable Trust

6|30|11

Semiannual report

Putnam VT
Global Health Care Fund



Message from the Trustees

Dear Fellow Shareholder:

In early August, equity markets around the world were rocked by indications of slowing economic growth and worsening debt issues in Europe and the United States. Significantly, Standard & Poor's downgraded U.S. sovereign debt to AA+ from AAA on August 5. While Putnam's investment team believes the downgrade will have limited immediate impact on the real economy, it is important to recognize that market volatility has risen in the near term.

Long-term investors are wise to seek the counsel of their financial advisors during volatile times and to remember that market volatility historically has served as an opportunity for nimble managers to both guard against risk and pursue new opportunities. We believe that many investment opportunities still exist today, and that Putnam's active, research-intensive investment approach offers shareholders a potential advantage in this environment.

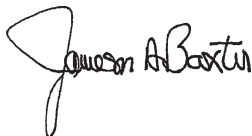
We would like to thank John A. Hill, who has served as Chairman of the Trustees since 2000 and who continues on as a Trustee, for his service. We are pleased to announce that Jameson A. Baxter is the new Chair, having served as Vice Chair since 2005 and a Trustee since 1994. Ms. Baxter is President of Baxter Associates, Inc., a private investment firm, and Chair of the Mutual Fund Directors Forum. In addition, she serves as Chair Emeritus of the Board of Trustees of Mount Holyoke College, Director of the Adirondack Land Trust, and Trustee of the Nature Conservancy's Adirondack Chapter.

Lastly, we would like to take this opportunity to welcome new shareholders to the fund and to thank all of our investors for your continued confidence in Putnam.

Respectfully yours,



Robert L. Reynolds
President and Chief Executive Officer
Putnam Investments



Jameson A. Baxter
Chair, Board of Trustees

August 11, 2011

Performance summary (as of 6/30/11)

Investment objective

Capital appreciation

Net asset value June 30, 2011

Class IA: \$13.44

Class IB: \$13.28

Total return at net asset value

(as of 6/30/11)	Class IA shares*	Class IB shares*	MSCI World Health Care Index (ND)†
6 months	12.41%	12.26%	12.97%
1 year	29.66	29.27	27.93
5 years	29.96	28.35	21.43
Annualized	5.38	5.12	3.96
10 years	37.58	34.25	41.63
Annualized	3.24	2.99	3.54
Life	69.36	64.53	—
Annualized	4.08	3.85	—

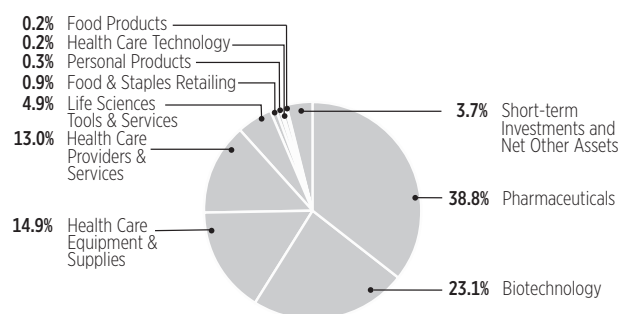
For a portion of the periods, the fund had expense limitations, without which returns would have been lower.

* Class inception date: April 30, 1998.

† The fund's benchmark, the MSCI World Health Care Index (ND), was introduced on 1/1/01, which post-dates the inception of the fund's class IA shares.

Data represent past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return and principal value will fluctuate, and you may have a gain or a loss when you sell your shares. All total return figures are at net asset value and exclude contract charges and expenses, which are added to the variable annuity contracts to determine total return at unit value. Had these charges and expenses been reflected, performance would have been lower. For more recent performance, contact your variable annuity provider who can provide you with performance that reflects the charges and expenses at your contract level.

Portfolio composition



Portfolio holdings and allocations may vary over time. Allocations are represented as a percentage of net assets as of 6/30/11. Due to rounding, percentages may not equal 100%. Summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities and the exclusion of as-of-trades, if any, and the use of different classifications of securities for presentation purposes.

Report from your fund's managers

How would you characterize the investment environment over the six months ended June 30, 2011?

In the past six months, the health-care sector has experienced somewhat of a "relief rally." During the period, the investment environment for health-care stocks grew clearer after the investor uncertainty and underperformance in 2010, much of which was due to uncertainty from the health-care reform legislation in the United States. In addition, many European countries facing budget deficits began to institute austerity programs, which included cutting health-care spending.

Going into 2011, many health-care stocks were trading at a discount, providing opportunities to purchase quality stocks at attractive valuations. Now, with more clarity on the issues we just mentioned, companies and investors may assess the impact on earnings more effectively.

Which industry subsectors helped the fund, and why?

Nearly all of the subsectors have performed well in this period. The managed-care sector is a good example. It was one of the sectors most exposed to regulatory reform. The subsector has had strong earnings this year, largely due to the increased clarity on regulatory reform and lower-than-expected medical loss ratio, which measures the percentage of premium revenue paid out in claims. Health-care utilization has remained static.

What, if any, changes did you make to the portfolio during the six-month period?

The portfolio was overweight in managed-care companies, driven by fundamentals, during the semiannual period. We also increased our exposure to small- and mid-cap biotech companies, based on individual company analysis.

Which holdings contributed to fund performance?

An overweight position in managed-care company Aetna was one of the top contributors to performance. Aetna began with an attractive valuation and had significant upward revisions of earnings during the period.

Another contributor, Pharmasset, is a mid-cap biotech company that is developing a promising compound to treat and cure hepatitis C. If the company can successfully bring the drug to market, there will likely be a substantial demand for it.

Biotech company Ironwood also contributed. Ironwood is developing a compound to treat constipation. We purchased the stock through an IPO last year and held onto it even though the stock stumbled at the end of the year. The company has reported positive Phase 3 trials for the drug, and the stock price has risen year to date.

What were some strategies that held back performance?

Among detractors was biotech company United Therapeutics, which is conducting two Phase 3 clinical trials for a compound for the treatment of pulmonary hypertension. While the first trial was successful, the stock sold off because the magnitude of the benefit was below investor expectations. United will report on its

second trial in September. We continue to hold the stock because of our belief that the firm will do well with the second trial.

Teva Pharmaceutical Industries also detracted. The stock has not done well year to date because investors have been concerned that the company may not meet earnings expectations. Teva holds the patent through 2014 on a drug used to treat multiple sclerosis. Two generic companies have applied to the Food and Drug Administration to market a generic version of the drug. As a result, Teva is facing both patent and regulatory challenges. Still, the competing firms have yet to receive FDA approval and face a legal hurdle on the patent. We believe the stock's valuation is attractive.

Life Technologies, which supplies scientific laboratory equipment, also detracted. The stock stumbled as the company lost some market share to a competitor in the area of DNA sequencing, which is a system of analyzing the molecular structure of DNA and is used in diagnostic, biotech, and forensic research. But that is only one aspect of the company's business. Life Technologies provides equipment, food, and industrial safety testing, and other research testing systems for many customer lines. We continue to hold the stock because the firm's business model is quite attractive, and we believe its earnings will pick up.

What is your outlook for the sector for the rest of 2011?

In our view, the same conditions that set the stage in the first half of the year should continue. While the pace of economic growth globally has varied widely, there has been a slowdown in the United States and other developed markets. We believe that health-care utilization will remain stable throughout the year.

We continue to monitor the budget issues in the United States, as Medicare may be vulnerable to spending cuts, which could impact the health-care sector. We are also monitoring events in Europe from a health-care perspective, as countries work to meet their debt obligations.

The views expressed in this report are exclusively those of Putnam Management. They are not meant as investment advice. Please note that the holdings discussed in this report may not have been held by the fund for the entire period. Portfolio composition is subject to review in accordance with the fund's investment strategy and may vary in the future.

Consider these risks before investing: International investing involves certain risks, such as currency fluctuations, economic instability, and political developments. Additional risks may be associated with emerging-market securities, including illiquidity and volatility. The use of derivatives involves special risks and may result in losses. Growth stocks may be more susceptible to earnings disappointments, and value stocks may fail to rebound. The use of short selling may result in losses if the securities appreciate in value. The fund's policy of concentrating on a limited group of industries and the fund's non-diversified status, which means the fund may invest in fewer issuers, can increase the fund's vulnerability to common economic forces and may result in greater losses and volatility. Current and future portfolio holdings are subject to risk.

Your fund's managers



Portfolio Manager **Kelsey Chen** joined Putnam in 2000 and has been in the investment industry since 1999.



Portfolio Manager **Christopher J. Stevo** is a CFA charterholder. He joined Putnam in 1999 and has been in the investment industry since 1994.

Your fund's managers may also manage other accounts advised by Putnam Management or an affiliate, including retail mutual fund counterparts to the funds in Putnam Variable Trust.

Understanding your fund's expenses

As an investor in a variable annuity product that invests in a registered investment company, you pay ongoing expenses, such as management fees, distribution fees (12b-1 fees), and other expenses. Using the following information, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You may also pay one-time transaction expenses, which are not shown in this section and would result in higher total expenses. Charges and expenses at the insurance company separate account level are not reflected. For more information, see your fund's prospectus or talk to your financial representative.

Review your fund's expenses

The first two columns in the following table show the expenses you would have paid on a \$1,000 investment in your fund from January 1, 2011, to June 30, 2011. They also show how much a \$1,000 investment would be worth at the close of the period, *assuming actual returns and expenses*. To estimate the ongoing expenses you paid over the period, divide your account value by \$1,000, then multiply the result by the number in the first line for the class of shares you own.

Compare your fund's expenses with those of other funds

The two right-hand columns of the table show your fund's expenses based on a \$1,000 investment, *assuming a hypothetical 5% annualized return*. You can use this information to compare the ongoing expenses (but not transaction expenses or total costs) of investing in the fund with those of other funds. All shareholder reports of mutual funds and funds serving as variable annuity vehicles will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

	Expenses and value for a \$1,000 investment, assuming actual returns for the 6 months ended 6/30/11		Expenses and value for a \$1,000 investment, assuming a hypothetical 5% annualized return for the 6 months ended 6/30/11	
	Class IA	Class IB	Class IA	Class IB
Expenses paid per \$1,000*	\$4.32	\$5.63	\$4.11	\$5.36
Ending value (after expenses)	\$1,124.10	\$1,122.60	\$1,020.73	\$1,019.49
Annualized expense ratio	0.82%	1.07%	0.82%	1.07%

*Expenses for each share class are calculated using the fund's annualized expense ratio for each class, which represents the ongoing expenses as a percentage of average net assets for the six months ended 6/30/11. The expense ratio may differ for each share class. Expenses are calculated by multiplying the expense ratio by the average account value for the period; then multiplying the result by the number of days in the period; and then dividing that result by the number of days in the year.

The fund's portfolio 6/30/11 (Unaudited)

COMMON STOCKS (96.4%)*	Shares	Value
Biotechnology (23.1%)		
Acorda Therapeutics, Inc. †	27,500	\$888,525
Actelion NV (Switzerland) †	8,348	411,414
Amarin Corp. PLC ADR (United Kingdom) † S	66,900	968,043
Amgen, Inc. †	26,100	1,522,935
Amylin Pharmaceuticals, Inc. † S	30,900	412,824
Anthera Pharmaceuticals, Inc. † S	42,657	348,508
Arqule, Inc. †	62,995	393,719
AVEO Pharmaceuticals, Inc. † S	32,485	669,516
BioMarin Pharmaceuticals, Inc. † S	31,600	859,836
Celgene Corp. † S	85,700	5,169,424
Cephalon, Inc. †	3,100	247,690
Chelsea Therapeutics International, Ltd. † S	57,426	292,873
Codexis, Inc. †	29,178	280,984
CSL, Ltd. (Australia)	27,204	964,695
Dendreon Corp. † S	107,600	4,243,744
Dyax Corp. †	107,156	212,169
Human Genome Sciences, Inc. † S	125,600	3,082,224
Ironwood Pharmaceuticals, Inc. †	31,594	496,658
Momenta Pharmaceuticals, Inc. † S	40,200	782,292
Onyx Pharmaceuticals, Inc. †	30,400	1,073,120
Pharmasset, Inc. †	8,598	964,696
Synta Pharmaceuticals Corp. † S	96,100	483,383
United Therapeutics Corp. † S	48,600	2,677,860
Vertex Pharmaceuticals, Inc. †	12,800	665,472
		28,112,604
Food and staples retail (0.9%)		
CVS Caremark Corp.	29,000	1,089,820
		1,089,820
Food products (0.2%)		
Mead Johnson Nutrition Co. Class A	3,100	209,405
		209,405
Health-care equipment and supplies (14.9%)		
Baxter International, Inc.	92,900	5,545,201
China Kanghui Holdings, Inc. ADR (China) † S	10,210	239,425
China Medical Technologies, Inc. ADR (China) † S	99,000	763,290
Covidien PLC (Ireland)	83,100	4,423,414
Edwards Lifesciences Corp. †	8,530	743,645
Medtronic, Inc.	52,200	2,011,266
Microport Scientific Corp. (China)	72,000	46,410
Smith & Nephew PLC (United Kingdom)	32,107	343,070
St. Jude Medical, Inc.	22,600	1,077,568
Stryker Corp.	20,600	1,209,014
Synthes, Inc. (Switzerland)	1,549	272,653
West Pharmaceutical Services, Inc. S	20,200	883,952
Zimmer Holdings, Inc. †	9,000	568,800
		18,127,708
Health-care providers and services (13.1%)		
Aetna, Inc.	81,200	3,580,108
AmerisourceBergen Corp. S	52,300	2,165,220
Cardinal Health, Inc.	23,100	1,049,202
CIGNA Corp. S	41,100	2,113,773
Coventry Health Care, Inc. †	15,000	547,050
Express Scripts, Inc. †	13,000	701,740
Fresenius Medical Care AG & Co. KGaA (Germany)	8,036	601,499

COMMON STOCKS (96.4%)* cont.	Shares	Value
Health-care providers and services cont.		
Fresenius Medical Care AG & Co., KGaA ADR (Germany) S	2,213	\$165,311
McKesson Corp.	9,800	819,770
Quest Diagnostics, Inc.	29,800	1,761,180
Sinopharm Group Co. (China)	34,800	117,409
WellPoint, Inc.	28,300	2,229,191
		15,851,453
Health-care technology (0.2%)		
MedAssets, Inc. †	17,700	236,472
		236,472
Life sciences tools and services (4.9%)		
Agilent Technologies, Inc. † S	2,700	137,997
Complete Genomics, Inc. † S	26,000	397,280
Life Technologies Corp. †	45,900	2,390,013
Sequenom, Inc. † S	29,600	223,480
ShangPharma Corp. ADR (China) † S	55,112	577,023
Thermo Fisher Scientific, Inc. †	24,000	1,545,360
WuXi PharmaTech (Cayman), Inc. ADR (China) †	36,858	647,226
		5,918,379
Personal products (0.3%)		
Synutra International, Inc. † S	37,276	366,050
		366,050
Pharmaceuticals (38.8%)		
Abbott Laboratories S	91,100	4,793,682
Astellas Pharma, Inc. (Japan)	34,300	1,326,862
Auxilium Pharmaceuticals, Inc. † S	117,100	2,295,160
Bayer AG (Germany)	10,653	857,555
GlaxoSmithKline PLC (United Kingdom)	128,623	2,756,997
Hi-Tech Pharmacal Co., Inc. †	2,600	75,218
Hospira, Inc. †	29,400	1,665,804
Johnson & Johnson	103,300	6,871,516
Merck & Co., Inc.	111,300	3,927,777
Mitsubishi Tanabe Pharma (Japan)	35,700	599,243
Novartis AG (Switzerland)	65,286	4,001,463
Pain Therapeutics, Inc. † S	32,721	126,630
Pfizer, Inc.	440,315	9,070,489
Roche Holding AG (Switzerland)	4,070	681,522
Sanofi (France)	38,476	3,097,275
Sanofi CVR (France) †	188,700	454,767
Sihuan Pharmaceutical Holdings Group, Ltd. (China) †	204,000	96,587
Somaxon Pharmaceuticals, Inc. † S	211,300	450,069
Teva Pharmaceutical Industries, Ltd. ADR (Israel) S	76,806	3,703,585
Watson Pharmaceuticals, Inc. †	4,500	309,285
		47,161,486
Total common stocks (cost \$93,710,083)		\$117,073,377
SHORT-TERM INVESTMENTS (19.8%)*		
	Principal amount/shares	Value
Putnam Cash Collateral Pool, LLC 0.17% d	19,779,565	\$19,779,565
Putnam Money Market Liquidity Fund 0.04% e	3,903,147	3,903,147
U.S. Treasury Bills for an effective yield of 0.08%, December 01/2011 ##	\$40,000	39,983
U.S. Treasury Bills for an effective yield of 0.07%, November 17, 2011 ##	390,000	389,857
Total short-term investments (cost \$24,112,559)		\$24,112,552
Total investments (cost \$117,822,642)		\$141,185,929

Key to holding's abbreviations

ADR American Depository Receipts
 CVR Contingent Value Rights

Notes to the fund's portfolio

Unless noted otherwise, the notes to the fund's portfolio are for the close of the fund's reporting period, which ran from January 1, 2011 through June 30, 2011 (the reporting period).

* Percentages indicated are based on net assets of \$121,504,069.

† Non-income-producing security.

These securities, in part or in entirety, were pledged and segregated with the custodian for collateral on certain derivatives contracts at the close of the reporting period.

d See Note 1 to the financial statements regarding securities lending. The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

e See Note 6 to the financial statements regarding investments in Putnam Money Market Liquidity Fund. The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

s Security on loan, in part or in entirety, at the close of the reporting period.

At the close of the reporting period, the fund maintained liquid assets totaling \$86,643 to cover certain derivatives contracts.

ADR after the name of a foreign holding represents ownership of foreign securities on deposit with a custodian bank.

DIVERSIFICATION BY COUNTRY

Distribution of investments by country of risk at the close of the reporting period (as a percentage of Portfolio Value):

United States	80.0%	China	1.8%
Switzerland	3.8	Japan	1.4
Ireland	3.1	Germany	1.2
United Kingdom	2.9	Australia	0.7
Israel	2.6	Total	100.0%
France	2.5		

FORWARD CURRENCY CONTRACTS at 6/30/11 (aggregate face value \$14,519,067) (Unaudited)

Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/ (depreciation)
Bank of America, N.A.						
	Euro	Buy	8/17/11	\$3,912,620	\$3,833,771	\$78,849
Citibank, N.A.						
	British Pound	Buy	8/17/11	3,232,665	3,216,572	16,093
	Danish Krone	Buy	7/21/11	1,824,466	1,837,870	(13,404)
Credit Suisse AG						
	Japanese Yen	Buy	8/17/11	2,140,027	2,129,707	10,320
HSBC Bank USA, National Association						
	Australian Dollar	Buy	8/17/11	1,922,233	1,876,493	45,740
JPMorgan Chase Bank, N.A.						
	Swiss Franc	Buy	8/17/11	1,618,894	1,624,654	(5,760)
Total						\$131,838

Accounting Standards Codification ASC 820 *Fair Value Measurements and Disclosures* (ASC 820) establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the fund's investments. The three levels are defined as follows:

Level 1 — Valuations based on quoted prices for identical securities in active markets.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the fair value measurement.

The following is a summary of the inputs used to value the fund's net assets as of the close of the reporting period:

Investments in securities:	Valuation inputs		
	Level 1	Level 2	Level 3
Common stocks:			
Consumer staples	\$1,665,275	\$—	\$—
Health care	112,256,896	3,151,206	—
Total common stocks	113,922,171	3,151,206	—
Short-term investments	3,903,147	20,209,405	—
Totals by level	\$117,825,318	\$23,360,611	\$—

Other financial instruments:	Valuation inputs		
	Level 1	Level 2	Level 3
Forward currency contracts	\$—	\$131,838	\$—
Totals by level	\$—	\$131,838	\$—

The accompanying notes are an integral part of these financial statements.

Statement of assets and liabilities

6/30/11 (Unaudited)

Assets

Investment in securities, at value, including \$19,203,964 of securities on loan (Note 1):	
Unaffiliated issuers (identified cost \$93,710,090)	\$117,073,377
Affiliated issuers (identified cost \$24,112,552) (Notes 1 and 6)	24,112,552
Dividends, interest and other receivables	167,270
Receivable for shares of the fund sold	7,310
Receivable for investments sold	259,781
Foreign tax reclaim	43,882
Unrealized appreciation on forward currency contracts (Note 1)	151,002
Total assets	141,815,174

Liabilities

Payable to custodian	43,240
Payable for investments purchased	172,537
Payable for shares of the fund repurchased	95,436
Payable for compensation of Manager (Note 2)	62,946
Payable for investor servicing fees (Note 2)	8,192
Payable for custodian fees (Note 2)	8,398
Payable for Trustee compensation and expenses (Note 2)	67,655
Payable for administrative services (Note 2)	631
Payable for distribution fees (Note 2)	14,851
Collateral on securities loaned, at value (Note 1)	19,779,565
Unrealized depreciation on forward currency contracts (Note 1)	19,164
Other accrued expenses	38,490
Total liabilities	20,311,105
Net assets	\$121,504,069

Represented by

Paid-in capital (Unlimited shares authorized) (Notes 1 and 4)	\$92,940,204
Undistributed net investment income (Note 1)	205,183
Accumulated net realized gain on investments and foreign currency transactions (Note 1)	4,858,229
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	23,500,453
Total — Representing net assets applicable to capital shares outstanding	\$121,504,069

Computation of net asset value Class IA

Net assets	\$49,164,913
Number of shares outstanding	3,657,792
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$13.44

Computation of net asset value Class IB

Net assets	\$72,339,156
Number of shares outstanding	5,447,240
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$13.28

Statement of operations

Six months ended 6/30/11 (Unaudited)

Investment income

Dividends (net of foreign tax of \$58,188)	\$1,134,985
Interest (including interest income of \$1,260 from investments in affiliated issuers) (Note 6)	1,457
Securities lending (Note 1)	100,819
Total investment income	1,237,261

Expenses

Compensation of Manager (Note 2)	371,797
Investor servicing fees (Note 2)	59,860
Custodian fees (Note 2)	8,313
Trustee compensation and expenses (Note 2)	4,069
Administrative services (Note 2)	1,769
Distribution fees — Class IB (Note 2)	88,224
Other	39,305
Total expenses	573,337
Expense reduction (Note 2)	(4,827)

Net expenses

Net expenses	568,510
Net investment income	668,751
Net realized gain on investments (Notes 1 and 3)	4,948,098
Net realized gain on foreign currency transactions (Note 1)	1,157,267
Net unrealized depreciation of assets and liabilities in foreign currencies during the period	(270,816)
Net unrealized appreciation of investments during the period	7,216,019
Net gain on investments	13,050,568
Net increase in net assets resulting from operations	\$13,719,319

The accompanying notes are an integral part of these financial statements.

Statement of changes in net assets

	Six months ended 6/30/11*	Year ended 12/31/10
Increase (decrease) in net assets		
Operations:		
Net investment income	\$668,751	\$929,238
Net realized gain on investments and foreign currency transactions	6,105,365	6,012,903
Net unrealized appreciation (depreciation) of investments and assets and liabilities in foreign currencies	6,945,203	(4,372,965)
Net increase in net assets resulting from operations	13,719,319	2,569,176
Distributions to shareholders (Note 1):		
From ordinary income		
Net investment income		
Class IA	(494,071)	(1,095,087)
Class IB	(552,631)	(1,482,608)
From net realized long-term gain on investments		
Class IA	(1,185,055)	—
Class IB	(1,775,930)	—
Decrease from capital share transactions (Note 4)	(4,459,881)	(20,760,773)
Total increase (decrease) in net assets	5,251,751	(20,769,292)
Net assets:		
Beginning of period	116,252,318	137,021,610
End of period (including undistributed net investment income of \$205,183 and \$583,134, respectively)	\$121,504,069	\$116,252,318

* Unaudited.

The accompanying notes are an integral part of these financial statements.

Financial highlights (For a common share outstanding throughout the period)

Period ended	INVESTMENT OPERATIONS:				LESS DISTRIBUTIONS:			RATIOS AND SUPPLEMENTAL DATA:					
	Net asset value, beginning of period	Net investment income (loss) ^a	Net realized and unrealized gain (loss) on investments	Total from investment operations	From net investment income	From net realized gain on investments	Total distributions	Net asset value, end of period	Total return at net asset value (%) ^{b, c}	Net assets, end of period (in thousands)	Ratio of expenses to average net assets (%) ^d	Ratio of net investment income (loss) to average net assets (%)	Portfolio turnover (%)
Class IA													
6/30/11 [†]	\$12.40	.08	1.43	1.51	(.14)	(.33)	(.47)	\$13.44	12.41*	\$49,165	.41*	.64*	19*
12/31/10	12.32	.11	.23	.34	(.26)	—	(.26)	12.40	2.68	46,428	.82	.90	33
12/31/09	11.11	.07	2.46	2.53	—	(1.32)	(1.32)	12.32	26.46	54,163	.87	.64	33
12/31/08	13.49	.06	(2.33)	(2.27)	—	(.11)	(.11)	11.11	(16.90)	52,520	.83 ^f	.49 ^f	19
12/31/07	13.69	.13 ^e	(.18)	(.05)	(.15)	—	(.15)	13.49	(.36)	81,384	.81 ^f	.95 ^{e, f}	16
12/31/06	13.35	.04	.37	.41	(.07)	—	(.07)	13.69	3.06	117,118	.85 ^f	.30 ^f	22
Class IB													
6/30/11 [†]	\$12.24	.07	1.40	1.47	(.10)	(.33)	(.43)	\$13.28	12.26*	\$72,339	.53*	.51*	19*
12/31/10	12.16	.08	.23	.31	(.23)	—	(.23)	12.24	2.47	69,824	1.07	.65	33
12/31/09	11.02	.04	2.42	2.46	—	(1.32)	(1.32)	12.16	26.00	82,858	1.12	.39	33
12/31/08	13.40	.03	(2.30)	(2.27)	—	(.11)	(.11)	11.02	(17.01)	79,525	1.08 ^f	.24	19
12/31/07	13.60	.10 ^e	(.19)	(.09)	(.11)	—	(.11)	13.40	(.67)	118,713	1.06 ^f	.69 ^{e, f}	16
12/31/06	13.27	.01	.36	.37	(.04)	—	(.04)	13.60	2.79	153,542	1.10 ^f	.05 ^f	22

* Not annualized.

† Unaudited.

^a Per share net investment income (loss) has been determined on the basis of the weighted average number of shares outstanding during the period.

^b The charges and expenses at the insurance company separate account level are not reflected.

^c Total return assumes dividend reinvestment.

^d Includes amounts paid through expense offset arrangements and for certain funds, brokerage/service arrangements (Note 2).

^e Net investment income (loss) per share and ratio of net investment income (loss) for the fund's class IA and class IB shares reflect a special dividend received by the fund, which amounted to \$0.08 per share and 0.60% as a percentage of average net assets for the period ended December 31, 2007.

^f Reflects an involuntary contractual expense limitation in effect during the period. For periods prior to December 31, 2008, certain fund expenses were waived in connection with the fund's investment in Putnam Prime Money Market Fund. As a result of such limitation and/or waivers, the expenses of each class reflect a reduction of the following amounts:

	Percentage of average net assets
12/31/08	0.03%
12/31/07	0.02
12/31/06	<0.01

The accompanying notes are an integral part of these financial statements.

Notes to financial statements 6/30/11 (Unaudited)

Note 1 — Significant accounting policies

Putnam VT Global Health Care Fund (the fund), is a non-diversified series of Putnam Variable Trust (the Trust), a Massachusetts business trust registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The fund seeks capital appreciation by investing primarily in common stocks of large and midsize companies in the health care industries worldwide that Putnam Investment Management, LLC (Putnam Management), the fund's manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC, believe have favorable investment potential. The fund concentrates its investments in one sector, which involves more risk than a fund that invests more broadly.

The fund offers class IA and class IB shares of beneficial interest. Class IA shares are offered at net asset value and are not subject to a distribution fee. Class IB shares are offered at net asset value and pay an ongoing distribution fee, which is identified in Note 2.

Investment income, realized and unrealized gains and losses and expenses of the fund are borne pro-rata based on the relative net assets of each class to the total net assets of the fund, except that each class bears expenses unique to that class (including the distribution fees applicable to such classes). Each class votes as a class only with respect to its own distribution plan or other matters on which a class vote is required by law or determined by the Trustees. If the fund were liquidated, shares of each class would receive their pro-rata share of the net assets of the fund. In addition, the Trustees declare separate dividends on each class of shares.

In the normal course of business, the fund enters into contracts that may include agreements to indemnify another party under given circumstances. The fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be, but have not yet been, made against the fund. However, the fund's management team expects the risk of material loss to be remote.

The following is a summary of significant accounting policies consistently followed by the fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations. Actual results could differ from those estimates. Subsequent events after the Statement of assets and liabilities date through the date that the financial statements were issued have been evaluated in the preparation of the financial statements. Unless otherwise noted, the "reporting period" represents the period from January 1, 2011 through June 30, 2011.

A) Security valuation Investments for which market quotations are readily available are valued at the last reported sales price on their principal exchange, or official closing price for certain markets, and are classified as Level 1 securities. If no sales are reported — as in the case of some securities traded over-the-counter — a security is valued at its last reported bid price and is generally categorized as a Level 2 security.

Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value foreign equity securities taking into account multiple factors including movements in the U.S. securities markets, currency valuations and comparisons to the valuation of American Depository Receipts, exchange-traded funds and futures contracts. These securities, which will generally represent a transfer from a Level 1 to a Level 2 security, will be classified as Level 2. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. At the close of the reporting period, fair value pricing was used for certain foreign securities in the portfolio. Securities quoted in foreign currencies, if any, are translated into U.S. dollars at the current exchange rate.

To the extent a pricing service or dealer is unable to value a security or provides a valuation that Putnam Management does not believe accurately reflects the security's fair value, the security will be valued at fair value by Putnam Management. Certain investments, including certain restricted and illiquid

securities and derivatives, are also valued at fair value following procedures approved by the Trustees. These valuations consider such factors as significant market or specific security events such as interest rate or credit quality changes, various relationships with other securities, discount rates, U.S. Treasury, U.S. swap and credit yields, index levels, convexity exposures and recovery rates. These securities are classified as Level 2 or as Level 3 depending on the priority of the significant inputs.

Such valuations and procedures are reviewed periodically by the Trustees. The fair value of securities is generally determined as the amount that the fund could reasonably expect to realize from an orderly disposition of such securities over a reasonable period of time. By its nature, a fair value price is a good faith estimate of the value of a security in a current sale and does not reflect an actual market price, which may be different by a material amount.

B) Security transactions and related investment income Security transactions are recorded on the trade date (the date the order to buy or sell is executed). Gains or losses on securities sold are determined on the identified cost basis. Interest income is recorded on the accrual basis. Dividend income, net of applicable withholding taxes, is recognized on the ex-dividend date except that certain dividends from foreign securities, if any, are recognized as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair market value of the securities received. Dividends representing a return of capital or capital gains, if any, are reflected as a reduction of cost and/or as a realized gain. All premiums/discounts are amortized/accreted on a yield-to-maturity basis.

C) Foreign currency translation The accounting records of the fund are maintained in U.S. dollars. The market value of foreign securities, currency holdings, and other assets and liabilities is recorded in the books and records of the fund after translation to U.S. dollars based on the exchange rates on that day. The cost of each security is determined using historical exchange rates. Income and withholding taxes are translated at prevailing exchange rates when earned or incurred. The fund does not isolate that portion of realized or unrealized gains or losses resulting from changes in the foreign exchange rate on investments from fluctuations arising from changes in the market prices of the securities. Such gains and losses are included with the net realized and unrealized gain or loss on investments. Net realized gains and losses on foreign currency transactions represent net realized exchange gains or losses on closed forward currency contracts, disposition of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions and the difference between the amount of investment income and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized appreciation and depreciation of assets and liabilities in foreign currencies arise from changes in the value of open forward currency contracts and assets and liabilities other than investments at the period end, resulting from changes in the exchange rate. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations, not present with domestic investments. The fund may be subject to taxes imposed by governments of countries in which it invests. Such taxes are generally based on either income or gains earned or repatriated. The fund accrues and applies such taxes to net investment income, net realized gains and net unrealized gains as income and/or capital gains are earned. In some cases, the fund may be entitled to reclaim all or a portion of such taxes, and such reclaim amounts, if any, are reflected as an asset on the fund's books. In many cases, however, the fund may not receive such amounts for an extended period of time, depending on the country of investment.

D) Forward currency contracts The fund buys and sells forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used to hedge foreign exchange risk. The U.S. dollar value of forward currency contracts is determined using current forward currency exchange rates supplied by a quotation service. The market value of the contract will fluctuate with changes in currency exchange rates. The contract is marked to market daily and the change in market value is recorded as an unrealized gain or loss. When the contract is closed, the fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The fund could be exposed to risk if the value of the currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the fund is unable to enter into a closing

position. Risks may exceed amounts recognized on the Statement of assets and liabilities. Forward currency contracts outstanding at period end, if any, are listed after the fund's portfolio. Outstanding contracts on forward currency contracts at the close of the reporting period are indicative of the volume of activity during the reporting period.

E) Master agreements The fund is a party to ISDA (International Swap and Derivatives Association, Inc.) Master Agreements (Master Agreements) with certain counterparties that govern over-the-counter derivative and foreign exchange contracts entered into from time to time. The Master Agreements may contain provisions regarding, among other things, the parties' general obligations, representations, agreements, collateral requirements, events of default and early termination. With respect to certain counterparties, in accordance with the terms of the Master Agreements, collateral posted to the fund is held in a segregated account by the fund's custodian and with respect to those amounts which can be sold or repledged, are presented in the fund's portfolio. Collateral pledged by the fund is segregated by the fund's custodian and identified in the fund's portfolio. Collateral can be in the form of cash or debt securities issued by the U.S. Government or related agencies or other securities as agreed to by the fund and the applicable counterparty. Collateral requirements are determined based on the fund's net position with each counterparty. Termination events applicable to the fund may occur upon a decline in the fund's net assets below a specified threshold over a certain period of time. Termination events applicable to counterparties may occur upon a decline in the counterparty's long-term and short-term credit ratings below a specified level. In each case, upon occurrence, the other party may elect to terminate early and cause settlement of all derivative and foreign exchange contracts outstanding, including the payment of any losses and costs resulting from such early termination, as reasonably determined by the terminating party. Any decision by one or more of the fund's counterparties to elect early termination could impact the fund's future derivative activity.

At the close of the reporting period, the fund had a net liability position of \$5,760 on derivative contracts subject to the Master Agreements. Collateral posted by the fund totaled \$144,957.

F) Securities lending The fund may lend securities, through its agent, to qualified borrowers in order to earn additional income. The loans are collateralized by cash in an amount at least equal to the market value of the securities loaned. The market value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The risk of borrower default will be borne by the fund's agent; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending is included in investment income on the Statement of operations. Cash collateral is invested in Putnam Cash Collateral Pool, LLC, a limited liability company managed by an affiliate of Putnam Management. Investments in Putnam Cash Collateral Pool, LLC are valued at its closing net asset value each business day. There are no management fees charged by Putnam Cash Collateral Pool, LLC. At the close of the reporting period, the value of securities loaned amounted to \$19,203,964. The fund received cash collateral of \$19,779,565.

G) Interfund lending The fund, along with other Putnam funds, may participate in an interfund lending program pursuant to an exemptive order issued by the Securities and Exchange Commission (the SEC). This program allows the fund to borrow from or lend to other Putnam funds that permit such transactions. Interfund lending transactions are subject to each fund's investment policies and borrowing and lending limits. Interest earned or paid on the interfund lending transaction will be based on the average of certain current market rates. During the reporting period, the fund did not utilize the program.

H) Line of credit The fund participates, along with other Putnam funds, in a \$285 million unsecured committed line of credit and a \$165 million unsecured uncommitted line of credit, both provided by State Street Bank and Trust Company (State Street). Borrowings may be made for temporary or emergency purposes, including the funding of shareholder redemption requests and trade settlements. Interest is charged to the fund based on the fund's borrowing at a rate equal to the Federal Funds rate plus 1.25% for the committed line of credit and the Federal Funds rate plus 1.30% for the uncommitted line of credit. A closing fee equal to 0.03% of the committed line of credit and \$100,000 for the uncommitted line of credit has been paid by the participating funds. In addition, a commitment fee of 0.15% per annum on any unutilized portion of the committed line of credit is allocated to the participating funds based on their relative net assets and paid quarterly. During the reporting period, the fund had no borrowings against these arrangements.

I) Federal taxes It is the policy of the fund to distribute all of its taxable income within the prescribed time period and otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable to regulated investment companies. It is also the intention of the fund to distribute an amount sufficient to avoid imposition of any excise tax under Section 4982 of the Code. The fund is subject to the provisions of Accounting Standards Codification ASC 740 *Income Taxes* (ASC 740). ASC 740 sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The fund did not have a liability to record for any unrecognized tax benefits in the accompanying financial statements. No provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains. Each of the fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

The aggregate identified cost on a tax basis is \$118,798,004, resulting in gross unrealized appreciation and depreciation of \$26,782,706 and \$4,394,781, respectively, or net unrealized appreciation of \$22,387,925.

J) Distributions to shareholders Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Dividend sources are estimated at the time of declaration. Actual results may vary. Any non-taxable return of capital cannot be determined until final tax calculations are completed after the end of the fund's fiscal year. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations.

K) Expenses of the Trust Expenses directly charged or attributable to any fund will be paid from the assets of that fund. Generally, expenses of the Trust will be allocated among and charged to the assets of each fund on a basis that the Trustees deem fair and equitable, which may be based on the relative assets of each fund or the nature of the services performed and relative applicability to each fund.

L) Beneficial interest At the close of the reporting period, insurance companies or their separate accounts were record owners of all but a de minimis number of the shares of the fund. Approximately 24.4% of the fund is owned by accounts of one group of insurance companies.

Note 2 — Management fee, administrative services and other transactions

The fund pays Putnam Management a management fee (based on the fund's average net assets and computed and paid monthly) at annual rates that may vary based on the average of the aggregate net assets of most open-end funds, as defined in the fund's management contract, sponsored by Putnam Management. Such annual rates may vary as follows:

0.780%	of the first \$5 billion,
0.730%	of the next \$5 billion,
0.680%	of the next \$10 billion,
0.630%	of the next \$10 billion,
0.580%	of the next \$50 billion,
0.560%	of the next \$50 billion,
0.550%	of the next \$100 billion,
0.545%	of any excess thereafter.

Putnam Management has contractually agreed, through June 30, 2012, to waive fees or reimburse the fund's expenses to the extent necessary to limit the cumulative expenses of the fund, exclusive of brokerage, interest, taxes, investment-related expenses, extraordinary expenses and payments under the fund's investor servicing contract, investment management contract and distribution plans, on a fiscal year-to-date basis to an annual rate of 0.20% of the fund's average net assets over such fiscal year-to-date period. During the reporting period, the fund's expenses were not reduced as a result of this limit.

Putnam Investments Limited (PIL), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. Putnam Management pays a quarterly sub-management fee to PIL for its services at an annual rate of 0.35% of the average net assets of the portion of the fund managed by PIL.

The Putnam Advisory Company, LLC (PAC), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund, as designated from time to time by Putnam Management or PIL. Putnam Management or PIL, as applicable, pays a quarterly sub-advisory fee to PAC for its services at the annual rate of 0.35% of the average net assets of the portion of the fund's assets for which PAC is engaged as sub-adviser.

The fund reimburses Putnam Management an allocated amount for the compensation and related expenses of certain officers of the fund and their staff who provide administrative services to the fund. The aggregate amount of all such reimbursements is determined annually by the Trustees.

Custodial functions for the fund's assets are provided by State Street. Custody fees are based on the fund's asset level, the number of its security holdings and transaction volumes.

Putnam Investor Services, Inc., an affiliate of Putnam Management, provides investor servicing agent functions to the fund. Putnam Investor Services, Inc. was paid a monthly fee for investor servicing at an annual rate of 0.10% of the fund's average net assets. The amounts incurred for investor servicing agent functions during the reporting period are included in Investor servicing fees in the Statement of operations.

The fund has entered into expense offset arrangements with Putnam Investor Services, Inc. and State Street whereby Putnam Investor Services, Inc.'s and State Street's fees are reduced by credits allowed on cash balances. The fund also reduced expenses through brokerage/service arrangements. For the reporting period, the fund's expenses were reduced by \$9 under the expense offset arrangements and by \$4,818 under the brokerage/service arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$65, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees also are reimbursed for expenses they incur relating to their services as Trustees.

The fund has adopted a Trustee Fee Deferral Plan (the Deferral Plan) which allows the Trustees to defer the receipt of all or a portion of Trustees fees

payable on or after July 1, 1995. The deferred fees remain invested in certain Putnam funds until distribution in accordance with the Deferral Plan.

The fund has adopted an unfunded noncontributory defined benefit pension plan (the Pension Plan) covering all Trustees of the fund who have served as a Trustee for at least five years and were first elected prior to 2004. Benefits under the Pension Plan are equal to 50% of the Trustee's average annual attendance and retainer fees for the three years ended December 31, 2005. The retirement benefit is payable during a Trustee's lifetime, beginning the year following retirement, for the number of years of service through December 31, 2006. Pension expense for the fund is included in Trustee compensation and expenses in the Statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the Statement of assets and liabilities. The Trustees have terminated the Pension Plan with respect to any Trustee first elected after 2003.

The fund has adopted a distribution plan (the Plan) with respect to its class IB shares pursuant to Rule 12b-1 under the Investment Company Act of 1940. The purpose of the Plan is to compensate Putnam Retail Management Limited Partnership, a wholly-owned subsidiary of Putnam Investments, LLC and Putnam Retail Management GP, Inc., for services provided and expenses incurred in distributing shares of the fund. The Plan provides for payment by the fund to Putnam Retail Management Limited Partnership at an annual rate of up to 0.35% of the average net assets attributable to the fund's class IB shares. The Trustees have approved payment by the fund at an annual rate of 0.25% of the average net assets attributable to the fund's class IB shares.

Note 3 — Purchases and sales of securities

During the reporting period, cost of purchases and proceeds from sales of investment securities other than short-term investments aggregated \$22,289,429 and \$30,252,302, respectively. There were no purchases or proceeds from sales of long-term U.S. government securities.

Note 4 — Capital shares

At the close of the reporting period, there was an unlimited number of shares of beneficial interest authorized. Subscriptions and redemptions are presented at the omnibus level. Transactions in capital shares were as follows:

	Class IA shares				Class IB shares			
	Six months ended 6/30/11		Year ended 12/31/10		Six months ended 6/30/11		Year ended 12/31/10	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Shares sold	89,056	\$1,209,828	37,098	\$448,415	194,364	\$2,568,232	241,760	\$2,888,997
Shares issued in connection with reinvestment of distributions	132,560	1,679,126	85,755	1,095,087	186,285	2,328,561	117,388	1,482,608
	221,616	2,888,954	122,853	1,543,502	380,649	4,896,793	359,148	4,371,605
Shares repurchased	(309,039)	(4,011,820)	(773,796)	(9,297,448)	(640,092)	(8,233,808)	(1,463,668)	(17,378,432)
Net decrease	(87,423)	\$(1,122,866)	(650,943)	\$(7,753,946)	(259,443)	\$(3,337,015)	(1,104,520)	\$(13,006,827)

Note 5 — Summary of derivative activity

The following is a summary of the market values of derivative instruments as of the close of the reporting period:

Market values of derivative instruments as of the close of the reporting period

Derivatives not accounted for as hedging instruments under ASC 815	Asset derivatives		Liability derivatives	
	Statement of assets and liabilities location	Market value	Statement of assets and liabilities location	Market value
Foreign exchange contracts	Receivables	\$151,002	Payables	\$19,164
Total		\$151,002		\$19,164

The following is a summary of realized and changes in unrealized gains or losses of derivative instruments on the Statement of operations for the reporting period (see Note 1):

Amount of realized gain or (loss) on derivatives recognized in net gain or (loss) on investments

Derivatives not accounted for as hedging instruments under ASC 815	Forward currency contracts	Total
Foreign exchange contracts	\$1,134,761	\$1,134,761
Total	\$1,134,761	\$1,134,761

Change in unrealized appreciation or (depreciation) on derivatives recognized in net gain or (loss) on investments

Derivatives not accounted for as hedging instruments under ASC 815	Forward currency contracts	Total
Foreign exchange contracts	\$(262,416)	\$(262,416)
Total	\$(262,416)	\$(262,416)

Note 6 — Investment in Putnam Money Market Liquidity Fund

The fund invested in Putnam Money Market Liquidity Fund, an open-end management investment company managed by Putnam Management. Investments in Putnam Money Market Liquidity Fund are valued at its closing net asset value each business day. Income distributions earned by the fund are recorded as interest income in the Statement of operations and totaled \$1,260 for the reporting period. During the reporting period, cost of purchases and proceeds of sales of investments in Putnam Money Market Liquidity Fund aggregated \$15,851,972 and \$15,187,824, respectively. Management fees charged to Putnam Money Market Liquidity Fund have been waived by Putnam Management.

Note 7 — Market and credit risk

In the normal course of business, the fund trades financial instruments and enters into financial transactions where risk of potential loss exists due to changes in the market (market risk) or failure of the contracting party to the transaction to perform (credit risk). The fund may be exposed to additional credit risk that an institution or other entity with which the fund has unsettled or open transactions will default.

Trustee approval of management contract

General conclusions

The Board of Trustees of the Putnam funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of your fund's management contract with Putnam Investment Management ("Putnam Management"), the sub-management contract with respect to your fund between Putnam Management and its affiliate, Putnam Investments Limited ("PIL"), and the sub-advisory contract among Putnam Management, PIL, and another affiliate, Putnam Advisory Company ("PAC").

The Board of Trustees, with the assistance of its Contract Committee which consists solely of Trustees who are not "interested persons" (as this term is defined in the Investment Company Act of 1940, as amended) of the Putnam funds ("Independent Trustees"), requests and evaluates all information it deems reasonably necessary under the circumstances in connection with its annual contract review. Over the course of several months ending in June 2011, the Contract Committee met on a number of occasions with representatives of Putnam Management, and separately in executive session, to consider the information that Putnam Management provided and other information developed with the assistance of the Board's independent counsel and independent staff. The Contract Committee reviewed and discussed key aspects of this information with all of the Independent Trustees on a number of occasions. At the Trustees' June 17, 2011 meeting, the Contract Committee recommended, and the Independent Trustees approved, the continuance of your fund's management, sub-management and sub-advisory contracts, effective July 1, 2011. (Because PIL and PAC are affiliates of Putnam Management and Putnam Management remains fully responsible for all services provided by PIL and PAC, the Trustees have not evaluated PIL or PAC as separate entities, and all subsequent references to Putnam Management below should be deemed to include reference to PIL and PAC as necessary or appropriate in the context.)

The Independent Trustees' approval was based on the following conclusions:

- That the fee schedule in effect for your fund represented reasonable compensation in light of the nature and quality of the services being provided to the fund, the fees paid by competitive funds, and the costs incurred by Putnam Management in providing services, and
- That the fee schedule represented an appropriate sharing between fund shareholders and Putnam Management of such economies of scale as may exist in the management of the fund at current asset levels.

These conclusions were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations and how the Trustees considered these factors are described below, although individual Trustees may have evaluated the information presented differently, giving different weights to various factors. It is also important to recognize that the management arrangements for your fund and the other Putnam funds are the result of many years of review and discussion between the Independent Trustees and Putnam Management, that some aspects of the arrangements may receive greater scrutiny in some years than others, and that the Trustees' conclusions may be based, in part, on their consideration of fee arrangements in previous years.

Management fee schedules and total expenses

The Trustees reviewed the management fee schedules in effect for all Putnam funds, including fee levels and breakpoints. In reviewing management fees, the Trustees generally focus their attention on material changes in circumstances — for example, changes in assets under management or investment style, changes in Putnam Management's operating costs, or changes in competitive practices in the mutual fund industry — that suggest that consideration of fee changes might be warranted. The Trustees concluded that the circumstances did not warrant changes to the management fee structure of your fund.

Most of the open-end Putnam funds have new management contracts, with new fee schedules reflecting the implementation of more competitive fee levels for many funds, complex-wide breakpoints for the open-end funds, and performance fees for some funds. These new management contracts have been in effect for a little over a year — since January or, for a few funds, February, 2010. The Trustees approved the new management contracts on July 10, 2009, and fund shareholders subsequently approved the contracts by overwhelming majorities of the shares voted.

Because these management contracts had been implemented only recently, the Contract Committee had limited practical experience with the operation of the new fee structures. Under its new management contract, your fund has the benefit of breakpoints in its management fee that provide shareholders with significant economies of scale in the form of reduced fee levels as assets under management in the Putnam family of funds increase. The Contract Committee observed that the complex-wide breakpoints of the open-end funds had only been in place for a short while, and the Trustees will examine the operation of this new breakpoint structure in future years in light of further experience.

As in the past, the Trustees also focused on the competitiveness of each fund's total expense ratio. In order to ensure that expenses of the Putnam funds continue to meet evolving competitive standards, the Trustees and Putnam Management agreed in 2009 to implement certain expense limitations. These expense limitations serve in particular to maintain competitive expense levels for funds with large numbers of small shareholder accounts and funds with relatively small net assets. Most funds, including your fund, had sufficiently low expenses that these expense limitations did not apply. The expense limitations were: (i) a contractual expense limitation applicable to all retail open-end funds of 37.5 basis points on investor servicing fees and expenses and (ii) a contractual expense limitation applicable to all open-end funds of 20 basis points on so-called "other expenses" (i.e., all expenses exclusive of management fees, investor servicing fees, distribution fees, investment-related expenses, interest, taxes, brokerage commissions and extraordinary expenses). Putnam Management's support for these expense limitations was an important factor in the Trustees' decision to approve the continuance of your fund's management, sub-management and sub-advisory contracts.

The Trustees reviewed comparative fee and expense information for a custom group of competitive funds selected by Lipper Inc. This comparative information included your fund's percentile ranking for effective management fees and total expenses (excluding any applicable 12b-1 fee), which provides a general indication of your fund's relative standing. In the custom peer group, your fund ranked

in the 1st quintile in effective management fees (determined for your fund and the other funds in the custom peer group based on fund asset size and the applicable contractual management fee schedule) and in the 1st quintile in total expenses (excluding any applicable 12b-1 fees) as of December 31, 2010 (the first quintile representing the least expensive funds and the fifth quintile the most expensive funds). The fee and expense data reported by Lipper as of December 31, 2010 reflected the most recent fiscal year-end data available in Lipper's database at that time.

In connection with their review of the management fees and total expenses of the Putnam funds, the Trustees also reviewed the costs of the services provided and the profits realized by Putnam Management and its affiliates from their contractual relationships with the funds. This information included trends in revenues, expenses and profitability of Putnam Management and its affiliates relating to the investment management, investor servicing and distribution services provided to the funds. In this regard, the Trustees also reviewed an analysis of Putnam Management's revenues, expenses and profitability, allocated on a fund-by-fund basis, with respect to the funds' management, distribution, and investor servicing contracts. For each fund, the analysis presented information about revenues, expenses and profitability for each of the agreements separately and for the agreements taken together on a combined basis. The Trustees concluded that, at current asset levels, the fee schedules in place represented reasonable compensation for the services being provided and represented an appropriate sharing of such economies of scale as may exist in the management of the funds at that time.

The information examined by the Trustees as part of their annual contract review for the Putnam funds has included for many years information regarding fees charged by Putnam Management and its affiliates to institutional clients such as defined benefit pension plans, college endowments, and the like. This information included comparisons of those fees with fees charged to the funds, as well as an assessment of the differences in the services provided to these different types of clients. The Trustees observed that the differences in fee rates between institutional clients and mutual funds are by no means uniform when examined by individual asset sectors, suggesting that differences in the pricing of investment management services to these types of clients may reflect historical competitive forces operating in separate markets. The Trustees considered the fact that in many cases fee rates across different asset classes are higher on average for mutual funds than for institutional clients, as well as the differences between the services that Putnam Management provides to the Putnam funds and those that it provides to its institutional clients. The Trustees did not rely on these comparisons to any significant extent in concluding that the management fees paid by your fund are reasonable.

Investment performance

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees' evaluation of the quality of services provided by Putnam Management under your fund's management contract. The Trustees were assisted in their review of the Putnam funds' investment process and performance by the work of several investment oversight committees of the Trustees, which met on a regular basis with the funds' portfolio teams and with the Chief Investment Officer and other members of Putnam Management's Investment Division throughout the year. The Trustees concluded that Putnam Management generally provides a high-quality investment process — based on the experience and skills

of the individuals assigned to the management of fund portfolios, the resources made available to them, and in general Putnam Management's ability to attract and retain high-quality personnel — but also recognized that this does not guarantee favorable investment results for every fund in every time period. The Trustees considered the investment performance of each fund over multiple time periods and considered information comparing each fund's performance with various benchmarks and with the performance of competitive funds.

The Committee noted the substantial improvement in the performance of most Putnam funds during the 2009–2010 period and Putnam Management's ongoing efforts to strengthen its investment personnel and processes. The Committee also noted the disappointing investment performance of some funds for periods ended December 31, 2010 and considered information provided by Putnam Management regarding the factors contributing to the underperformance and actions being taken to improve the performance of these particular funds. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these efforts and to evaluate whether additional actions to address areas of underperformance are warranted.

In the case of your fund, the Trustees considered information about the absolute return of your fund, and your fund's performance relative to its internal benchmark. Putnam VT Global Health Care Fund's class IA shares' return net of fees and expenses were positive over the one-year, three-year and five-year periods ended December 31, 2010, and exceeded the return of its internal benchmark over the one-year, three-year and five-year periods.

Brokerage and soft-dollar allocations; investor servicing

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides under the management contract with your fund. These include benefits related to brokerage allocation and the use of soft dollars, whereby a portion of the commissions paid by a fund for brokerage may be used to acquire research services that are expected to be useful to Putnam Management in managing the assets of the fund and of other clients. Subject to policies established by the Trustees, soft-dollar credits acquired through these means are used primarily to supplement Putnam Management's internal research efforts. However, the Trustees noted that a portion of available soft-dollar credits continues to be allocated to the payment of fund expenses. The Trustees indicated their continued intent to monitor regulatory developments in this area with the assistance of their Brokerage Committee and also indicated their continued intent to monitor the potential benefits associated with fund brokerage and soft-dollar allocations and trends in industry practices to ensure that the principle of seeking best price and execution remains paramount in the portfolio trading process.

Putnam Management may also receive benefits from payments that the funds make to Putnam Management's affiliates for investor or distribution services. In conjunction with the annual review of your fund's management contract, the Trustees reviewed your fund's investor servicing agreement with Putnam Investor Services, Inc. ("PSERV") and its distributor's contracts and distribution plans with Putnam Retail Management Limited Partnership ("PRM"), both of which are affiliates of Putnam Management. The Trustees concluded that the fees payable by the funds to PSERV and PRM, as applicable, for such services are reasonable in relation to the nature and quality of such services.

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Other important information

Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2011, are available in the Individual Investors section of putnam.com and on the SEC's website, www.sec.gov. If you have questions about finding forms on the SEC's website, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

Fund portfolio holdings

Each Putnam VT fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain the fund's Forms N-Q on the SEC's website at www.sec.gov. In addition, the fund's Forms N-Q may be reviewed and copied at the SEC's public reference room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's website or the operation of the public reference room.

Fund information

Investment Manager

Putnam Investment Management, LLC
One Post Office Square
Boston, MA 02109

Investment Sub-Manager

Putnam Investments Limited
57-59 St James's Street
London, England SW1A 1LD

Investment Sub-Advisor

The Putnam Advisory Company, LLC
One Post Office Square
Boston, MA 02109

Marketing Services

Putnam Retail Management
One Post Office Square
Boston, MA 02109

Investor Servicing Agent

Putnam Investor Services, Inc.
Mailing address:
P.O. Box 8383
Boston, MA 02266-8383
1-800-225-1581

Custodian

State Street Bank and Trust Company

Legal Counsel

Ropes & Gray LLP

Trustees

Jameson A. Baxter, *Chair*
Ravi Akhoury
Barbara M. Baumann
Charles B. Curtis
Robert J. Darretta
John A. Hill
Paul L. Joskow
Kenneth R. Leibler
Robert E. Patterson
George Putnam, III
Robert L. Reynolds
W. Thomas Stephens

Putnam Variable Trust

6|30|11

Semiannual report

Putnam VT
Growth and Income Fund



Message from the Trustees

Dear Fellow Shareholder:

In early August, equity markets around the world were rocked by indications of slowing economic growth and worsening debt issues in Europe and the United States. Significantly, Standard & Poor's downgraded U.S. sovereign debt to AA+ from AAA on August 5. While Putnam's investment team believes the downgrade will have limited immediate impact on the real economy, it is important to recognize that market volatility has risen in the near term.

Long-term investors are wise to seek the counsel of their financial advisors during volatile times and to remember that market volatility historically has served as an opportunity for nimble managers to both guard against risk and pursue new opportunities. We believe that many investment opportunities still exist today, and that Putnam's active, research-intensive investment approach offers shareholders a potential advantage in this environment.

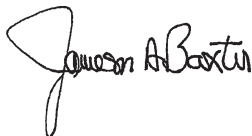
We would like to thank John A. Hill, who has served as Chairman of the Trustees since 2000 and who continues on as a Trustee, for his service. We are pleased to announce that Jameson A. Baxter is the new Chair, having served as Vice Chair since 2005 and a Trustee since 1994. Ms. Baxter is President of Baxter Associates, Inc., a private investment firm, and Chair of the Mutual Fund Directors Forum. In addition, she serves as Chair Emeritus of the Board of Trustees of Mount Holyoke College, Director of the Adirondack Land Trust, and Trustee of the Nature Conservancy's Adirondack Chapter.

Lastly, we would like to take this opportunity to welcome new shareholders to the fund and to thank all of our investors for your continued confidence in Putnam.

Respectfully yours,



Robert L. Reynolds
President and Chief Executive Officer
Putnam Investments



Jameson A. Baxter
Chair, Board of Trustees

August 9, 2011

Performance summary (as of 6/30/11)

Investment objective

Capital growth and current income

Net asset value June 30, 2011

Class IA: \$16.77

Class IB: \$16.71

Total return at net asset value

(as of 6/30/11)†**	Class IA shares*	Class IB shares†	Russell 1000 Value Index
6 months	4.26%	4.15%	5.92%
1 year	30.31	29.92	28.94
5 years	1.67	0.39	5.90
Annualized	0.33	0.08	1.15
10 years	21.12	18.12	47.82
Annualized	1.93	1.68	3.99
Life	598.07	567.56	849.69
Annualized	8.65	8.45	10.09

For a portion of the periods, the fund had expense limitations, without which returns would have been lower.

* Class inception date: February 1, 1988.

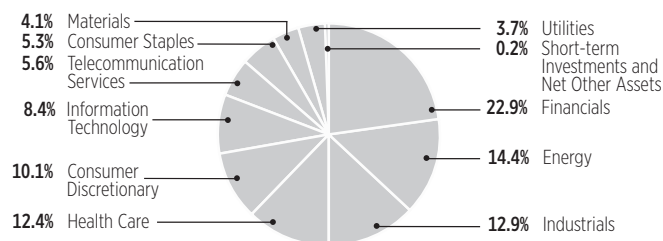
† Class inception date: April 6, 1998.

‡ Performance benefited from receipt of an Enron class action settlement pertaining to investments made prior to 2002.

** Performance benefited from receipt of a Tyco International, Ltd. class action settlement pertaining to investments made prior to 2003.

Data represent past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return and principal value will fluctuate, and you may have a gain or a loss when you sell your shares. All total return figures are at net asset value and exclude contract charges and expenses, which are added to the variable annuity contracts to determine total return at unit value. Had these charges and expenses been reflected, performance would have been lower. Performance of class IB shares before their inception is derived from the historical performance of class IA shares, adjusted to reflect the higher operating expenses applicable to such shares. For more recent performance, contact your variable annuity provider who can provide you with performance that reflects the charges and expenses at your contract level.

Portfolio composition



Portfolio holdings and allocations may vary over time. Allocations are represented as a percentage of net assets as of 6/30/11. Due to rounding, percentages may not equal 100%. Summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities and the exclusion of as-of trades, if any, and the use of different classifications of securities for presentation purposes.

Report from your fund's manager

What was the market environment like during the past six months?

The stock market demonstrated great resilience during a challenging period. Among the events that posed threats to investor confidence were the devastating earthquake, tsunami, and nuclear crisis in Japan; unrest in the Middle East; spiking oil prices; and political turmoil in Europe stemming from its sovereign debt crisis. At the same time, the U.S. economic recovery continued to gain traction. I believe one of the most compelling features of the recovery has been the profitability of U.S. businesses. Corporate earnings have continued to exceed expectations, and business leaders have been emboldened by this. For example, we have seen an increase in stock buybacks as well as mergers and acquisitions, which can be exciting developments for investors.

What strategies or stocks drove returns for the period?

The fund's positions in HMO stocks, particularly Aetna and CIGNA, helped boost fund returns for the period. Last year, investors had considerable concerns about the health-care reform bill and its potential impact on HMOs. A key issue was the effect of the medical loss ratio (MLR) provision, which limits the amount of premium that is spent on costs outside of medical care. When these HMO stocks declined, we took advantage of their low prices and added them to the portfolio. It now appears that the MLR provision may be less constraining to these companies, and the stocks have experienced a "relief rally" as a result. At the same time, utilization of medical services has remained low, which has helped HMOs keep expenses under control.

Another contribution to relative performance during the period stemmed from our decision not to hold shares of Berkshire Hathaway, the holding company engaged in a diverse range of businesses under the leadership of CEO Warren Buffett. The stock struggled due to weakness in the insurance industry as well as the company's unexpected announcement that David Sokol, a key executive considered to be a potential successor to Buffett, was resigning.

What are some stocks that held back performance?

The stock of Cisco Systems was the largest detractor for the period. Cisco, a provider of computer networking systems, has reported disappointing results for several consecutive quarters due to a number of issues, including declining sales in its core switching and router businesses. We have seen a deceleration in its business, particularly in the public sector and government markets. The company, which in my view has not been as nimble as it should be, has begun to make changes in its organizational structure that I think should be beneficial. In addition, I believe Cisco has now set investor expectations at an appropriate level, and I continued to hold this stock in the portfolio at period-end.

Another detractor for the fund was computer hardware company Hewlett-Packard. The stock has been pressured by an overall decline in personal computer sales as well as rapidly increasing

competition from tablet computers. The fund still held Hewlett-Packard at the close of the period because I believe it continues to offer long-term appreciation potential at an attractive price.

Another detractor that I chose to keep in the portfolio was insurance company Aflac. This stock struggled as investors became concerned about its exposure to European debt instruments. With a significant portion of Aflac's business in Japan, investors also worried that the catastrophic events there would have a negative impact on sales growth.

What is your outlook for the markets and the fund?

I would characterize my outlook as constructive. I believe we will continue to see a slow but self-sustaining global economic recovery, and as a result, cyclical stocks — those that thrive in an improving economic environment — should continue to offer attractive investment potential. And with volatility unlikely to subside soon, I continue to take a risk-conscious approach. We have many tools to help us mitigate risks, and we believe that diligent risk management will ultimately reward our shareholders, especially in challenging markets.

The views expressed in this report are exclusively those of Putnam Management. They are not meant as investment advice. Please note that the holdings discussed in this report may not have been held by the fund for the entire period. Portfolio composition is subject to review in accordance with the fund's investment strategy and may vary in the future.

Consider these risks before investing: Value stocks may fail to rebound, and the market may not favor value-style investing. Current and future portfolio holdings are subject to risk.

Your fund's manager



Portfolio Manager **Robert D. Ewing** is Co-Head of U.S. Equities at Putnam. A CFA charterholder, he joined Putnam in 2008 and has been in the investment industry since 1990.

Your fund's manager may also manage other accounts advised by Putnam Management or an affiliate, including retail mutual fund counterparts to the funds in Putnam Variable Trust.

Understanding your fund's expenses

As an investor in a variable annuity product that invests in a registered investment company, you pay ongoing expenses, such as management fees, distribution fees (12b-1 fees), and other expenses. Using the following information, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You may also pay one-time transaction expenses, which are not shown in this section and would result in higher total expenses. Charges and expenses at the insurance company separate account level are not reflected. For more information, see your fund's prospectus or talk to your financial representative.

Review your fund's expenses

The first two columns in the following table show the expenses you would have paid on a \$1,000 investment in your fund from January 1, 2011, to June 30, 2011. They also show how much a \$1,000 investment would be worth at the close of the period, *assuming actual returns and expenses*. To estimate the ongoing expenses you paid over the period, divide your account value by \$1,000, then multiply the result by the number in the first line for the class of shares you own.

Compare your fund's expenses with those of other funds

The two right-hand columns of the table show your fund's expenses based on a \$1,000 investment, *assuming a hypothetical 5% annualized return*. You can use this information to compare the ongoing expenses (but not transaction expenses or total costs) of investing in the fund with those of other funds. All shareholder reports of mutual funds and funds serving as variable annuity vehicles will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

	Expenses and value for a \$1,000 investment, assuming actual returns for the 6 months ended 6/30/11		Expenses and value for a \$1,000 investment, assuming a hypothetical 5% annualized return for the 6 months ended 6/30/11	
	Class IA	Class IB	Class IA	Class IB
Expenses paid per \$1,000*	\$3.19	\$4.45	\$3.16	\$4.41
Ending value (after expenses)	\$1,042.60	\$1,041.50	\$1,021.67	\$1,020.43
Annualized expense ratio	0.63%	0.88%	0.63%	0.88%

*Expenses for each share class are calculated using the fund's annualized expense ratio for each class, which represents the ongoing expenses as a percentage of average net assets for the six months ended 6/30/11. The expense ratio may differ for each share class. Expenses are calculated by multiplying the expense ratio by the average account value for the period; then multiplying the result by the number of days in the period; and then dividing that result by the number of days in the year.

The fund's portfolio 6/30/11 (Unaudited)

COMMON STOCKS (99.1%)*	Shares	Value
Aerospace and defense (4.2%)		
Embraer SA ADR (Brazil)	149,900	\$4,613,922
General Dynamics Corp.	75,700	5,641,164
Honeywell International, Inc.	214,100	12,758,219
L-3 Communications Holdings, Inc. [§]	93,800	8,202,810
Northrop Grumman Corp.	167,700	11,629,995
Precision Castparts Corp.	21,300	3,507,045
Raytheon Co.	55,600	2,771,660
Safran SA (France)	131,950	5,642,367
United Technologies Corp.	34,900	3,088,999
		57,856,181
Airlines (0.6%)		
Delta Air Lines, Inc. [†]	419,300	3,844,981
United Continental Holdings, Inc. ^{† §}	165,700	3,749,791
		7,594,772
Automobiles (0.4%)		
Ford Motor Co. [†]	79,600	1,097,684
General Motors Co. ^{† §}	158,300	4,805,988
		5,903,672
Beverages (0.6%)		
Coca-Cola Co. (The)	64,700	4,353,663
Coca-Cola Enterprises, Inc.	146,500	4,274,870
		8,628,533
Biotechnology (0.5%)		
Amgen, Inc. [†]	111,800	6,523,530
		6,523,530
Building products (0.3%)		
Masco Corp. [§]	135,800	1,633,674
Owens Corning, Inc. ^{† §}	58,000	2,166,300
		3,799,974
Capital markets (3.8%)		
Bank of New York Mellon Corp. (The)	272,900	6,991,698
Goldman Sachs Group, Inc. (The)	121,269	16,139,691
KKR & Co. LP	160,798	2,624,223
Legg Mason, Inc.	83,800	2,745,288
Morgan Stanley	442,964	10,192,602
State Street Corp.	303,600	13,689,324
		52,382,826
Chemicals (2.3%)		
Celanese Corp. Ser. A	41,700	2,223,027
CF Industries Holdings, Inc.	10,900	1,544,203
Dow Chemical Co. (The)	260,500	9,378,000
E.I. du Pont de Nemours & Co.	102,800	5,556,340
Huntsman Corp.	369,900	6,972,615
LyondellBasell Industries NV Class A (Netherlands)	134,200	5,169,384
		30,843,569
Commercial banks (4.8%)		
Fifth Third Bancorp	215,200	2,743,800
First Horizon National Corp.	470,100	4,484,754
PNC Financial Services Group, Inc.	148,500	8,852,085
SunTrust Banks, Inc.	160,300	4,135,740
U.S. Bancorp	317,600	8,101,976
Wells Fargo & Co.	1,299,820	36,472,949
		64,791,304
Communications equipment (1.7%)		
Cisco Systems, Inc.	1,129,700	17,634,617
Harris Corp. [§]	45,398	2,045,634
Qualcomm, Inc.	62,000	3,520,980
		23,201,231

COMMON STOCKS (99.1%)* cont.	Shares	Value
Computers and peripherals (2.5%)		
Apple, Inc. [†]	25,300	\$8,492,451
Hewlett-Packard Co.	459,110	16,711,604
SanDisk Corp. [†]	142,700	5,922,050
Seagate Technology	192,000	3,102,720
		34,228,825
Construction and engineering (0.6%)		
Fluor Corp.	42,700	2,760,982
KBR, Inc.	133,700	5,039,153
		7,800,135
Consumer finance (0.4%)		
Discover Financial Services	208,100	5,566,675
		5,566,675
Diversified consumer services (0.4%)		
Apollo Group, Inc. Class A [†]	112,900	4,931,472
		4,931,472
Diversified financial services (6.5%)		
Bank of America Corp.	2,656,045	29,110,253
Citigroup, Inc.	532,550	22,175,382
JPMorgan Chase & Co.	912,758	37,368,313
		88,653,948
Diversified telecommunication services (5.2%)		
AT&T, Inc.	784,100	24,628,581
CenturyLink, Inc.	178,100	7,200,583
Verizon Communications, Inc.	1,034,800	38,525,604
		70,354,768
Electric utilities (2.2%)		
American Electric Power Co., Inc.	161,341	6,079,329
Edison International	166,900	6,467,375
Entergy Corp.	84,022	5,737,022
Great Plains Energy, Inc. [§]	220,900	4,579,257
NV Energy, Inc.	106,300	1,631,705
PPL Corp. [§]	166,900	4,644,827
		29,139,515
Electrical equipment (0.8%)		
Cooper Industries PLC	33,800	2,016,846
Emerson Electric Co.	168,300	9,466,875
		11,483,721
Electronic equipment, instruments, and components (0.1%)		
Yokogawa Electric Corp. (Japan) [†]	180,379	1,547,486
		1,547,486
Energy equipment and services (2.9%)		
Halliburton Co.	54,600	2,784,600
Helix Energy Solutions Group, Inc. ^{† §}	80,500	1,333,080
National Oilwell Varco, Inc.	151,800	11,872,278
Schlumberger, Ltd.	155,689	13,451,530
Transocean, Ltd. (Switzerland) [§]	103,300	6,669,048
Weatherford International, Ltd. (Switzerland) ^{† §}	140,647	2,637,131
		38,747,667
Food and staples retail (1.2%)		
CVS Caremark Corp.	187,100	7,031,218
Wal-Mart Stores, Inc.	170,980	9,085,877
		16,117,095
Health-care equipment and supplies (2.3%)		
Baxter International, Inc.	293,600	17,524,984
Boston Scientific Corp. ^{† §}	412,530	2,850,582
Covidien PLC (Ireland)	142,254	7,572,180
Medtronic, Inc.	98,300	3,787,499
		31,735,245
Health-care providers and services (2.9%)		
Aetna, Inc.	314,500	13,866,305
AmerisourceBergen Corp. [§]	53,800	2,227,320
CIGNA Corp.	214,000	11,006,020

COMMON STOCKS (99.1%)* cont.	Shares	Value
Health-care providers and services cont.		
Lincare Holdings, Inc. [§]	83,600	\$2,446,972
WellPoint, Inc.	123,400	9,720,218
		39,266,835
Hotels, restaurants, and leisure (0.6%)		
McDonald's Corp.	31,700	2,672,944
Wyndham Worldwide Corp.	159,139	5,355,027
		8,027,971
Household durables (0.6%)		
D.R. Horton, Inc. [§]	216,900	2,498,688
Newell Rubbermaid, Inc.	259,100	4,088,598
Toll Brothers, Inc. [†]	102,800	2,132,072
		8,719,358
Household products (2.1%)		
Colgate-Palmolive Co.	31,300	2,735,933
Energizer Holdings, Inc. [†]	37,400	2,706,264
Kimberly-Clark Corp.	77,500	5,158,400
Procter & Gamble Co. (The)	291,800	18,549,726
		29,150,323
Independent power producers and energy traders (0.4%)		
AES Corp. (The) [†]	438,800	5,590,312
		5,590,312
Industrial conglomerates (3.9%)		
General Electric Co.	1,987,670	37,487,456
Tyco International, Ltd.	315,875	15,613,701
		53,101,157
Insurance (6.7%)		
ACE, Ltd.	144,600	9,517,572
Aflac, Inc.	220,400	10,288,272
Allstate Corp. (The)	365,100	11,146,503
Assured Guaranty, Ltd. (Bermuda)	418,967	6,833,352
Chubb Corp. (The)	150,017	9,392,564
Everest Re Group, Ltd.	51,100	4,177,425
Hartford Financial Services Group, Inc. (The)	341,900	9,015,903
Marsh & McLennan Cos., Inc.	127,900	3,989,201
MetLife, Inc.	317,913	13,946,843
Prudential Financial, Inc.	86,200	5,481,458
Travelers Cos., Inc. (The)	49,700	2,901,486
XL Group PLC [§]	217,600	4,782,848
		91,473,427
IT Services (0.6%)		
IBM Corp. [§]	27,600	4,734,780
Unisys Corp. [†]	129,688	3,332,982
		8,067,762
Leisure equipment and products (0.3%)		
Hasbro, Inc.	78,200	3,435,326
		3,435,326
Machinery (2.5%)		
Deere & Co.	45,900	3,784,455
Eaton Corp.	39,500	2,032,275
Illinois Tool Works, Inc.	95,400	5,389,146
Ingersoll-Rand PLC [§]	227,300	10,321,693
Lonking Holdings, Ltd. (China)	2,093,000	1,146,685
Parker Hannifin Corp.	131,463	11,797,490
		34,471,744
Media (4.7%)		
Comcast Corp. Class A	661,041	16,750,779
DIRECTV Class A [†]	94,035	4,778,859
DISH Network Corp. Class A [†]	182,500	5,597,275
Interpublic Group of Companies, Inc. (The)	317,300	3,966,250
News Corp. Class A	195,300	3,456,810
Time Warner Cable, Inc. [§]	61,048	4,764,186
Time Warner, Inc.	354,900	12,907,713

COMMON STOCKS (99.1%)* cont.	Shares	Value
Media cont.		
Viacom, Inc. Class B	93,500	\$4,768,500
Walt Disney Co. (The)	168,500	6,578,240
		63,568,612
Metals and mining (1.5%)		
Alcoa, Inc.	129,000	2,045,940
Freeport-McMoRan Copper & Gold, Inc. Class B	181,352	9,593,521
Newmont Mining Corp.	41,500	2,239,755
Nucor Corp. [§]	97,100	4,002,462
Steel Dynamics, Inc.	160,400	2,606,500
		20,488,178
Multiline retail (0.4%)		
Macy's, Inc.	52,100	1,523,404
Target Corp.	94,300	4,423,613
		5,947,017
Multi-utilities (1.2%)		
Ameren Corp.	235,400	6,788,936
CMS Energy Corp. [§]	109,900	2,163,931
PG&E Corp.	167,200	7,027,416
		15,980,283
Oil, gas, and consumable fuels (11.5%)		
Apache Corp.	127,203	15,695,578
BP PLC ADR (United Kingdom)	117,167	5,189,326
Chevron Corp.	322,600	33,176,184
ConocoPhillips	127,800	9,609,282
CONSOL Energy, Inc.	100,300	4,862,544
Exxon Mobil Corp.	342,718	27,890,391
Newfield Exploration Co. [†]	52,700	3,584,654
Nexen, Inc. (Canada)	181,200	4,077,000
Noble Energy, Inc.	113,200	10,146,116
Nordic American Tanker Shipping (Bermuda) [§]	48,700	1,107,438
Occidental Petroleum Corp.	198,286	20,629,675
Petroleo Brasileiro SA ADR (Brazil)	117,300	3,971,778
Royal Dutch Shell PLC ADR (United Kingdom) [§]	62,046	4,413,332
Sunoco, Inc.	136,900	5,710,099
Total SA ADR (France)	114,200	6,605,328
		156,668,725
Paper and forest products (0.3%)		
International Paper Co.	154,300	4,601,226
		4,601,226
Personal products (0.2%)		
Avon Products, Inc.	75,200	2,105,600
		2,105,600
Pharmaceuticals (6.7%)		
Abbott Laboratories	102,900	5,414,598
Johnson & Johnson	409,800	27,259,896
Merck & Co., Inc.	626,925	22,124,183
Pfizer, Inc.	1,637,916	33,741,070
Sanofi CVR (France) [†]	70,000	168,700
Teva Pharmaceutical Industries, Ltd. ADR (Israel) [§]	57,300	2,763,006
		91,471,453
Real estate investment trusts (REITs) (0.4%)		
Chimera Investment Corp. [§]	459,900	1,591,254
CreXus Investment Corp.	124,700	1,385,417
MFA Financial, Inc.	258,400	2,077,536
		5,054,207
Semiconductors and semiconductor equipment (2.2%)		
First Solar, Inc. [†] [§]	28,100	3,716,787
Intel Corp.	285,900	6,335,544
KLA-Tencor Corp. [§]	99,100	4,011,568
Lam Research Corp. [†]	134,900	5,973,372
Marvell Technology Group, Ltd. [†]	196,600	2,902,799

COMMON STOCKS (99.1%)* cont.	Shares	Value
Semiconductors and semiconductor equipment cont.		
MEMC Electronic Materials, Inc. † S	263,600	\$2,248,508
Texas Instruments, Inc.	144,500	4,743,935
		29,932,513
Software (1.2%)		
CA, Inc.	312,800	7,144,352
Microsoft Corp.	168,300	4,375,800
Oracle Corp.	164,500	5,413,695
		16,933,847
Specialty retail (1.9%)		
American Eagle Outfitters, Inc.	157,400	2,006,850
Bed Bath & Beyond, Inc. † S	37,300	2,177,201
Best Buy Co., Inc. S	189,100	5,939,631
Lowe's Cos., Inc.	382,000	8,904,420
Office Depot, Inc. † S	838,900	3,540,158
OfficeMax, Inc. † S	173,800	1,364,330
Staples, Inc.	138,500	2,188,300
		26,120,890
Textiles, apparel, and luxury goods (0.4%)		
Hanesbrands, Inc. † S	177,500	5,067,625
		5,067,625
Tobacco (1.2%)		
Lorillard, Inc. S	41,000	4,463,670
Philip Morris International, Inc.	178,900	11,945,153
		16,408,823
Wireless telecommunication services (0.4%)		
Vodafone Group PLC ADR (United Kingdom)	203,800	5,445,537
		5,445,537
Total common stocks (cost \$1,077,152,821)		\$1,348,930,895

CONVERTIBLE BONDS AND NOTES (0.3%)*	Principal amount	Value
Ford Motor Co. cv. sr. unsec. notes 4 1/4s, 2016	\$1,880,000	\$3,221,850
Novellus Systems, Inc. 144A cv. sr. notes 2 5/8s, 2041	991,000	1,061,460
Total convertible bonds and notes (cost \$2,871,000)		\$4,283,310

SHORT-TERM INVESTMENTS (5.5%)*	Shares	Value
Putnam Cash Collateral Pool, LLC 0.17% d	74,665,146	\$74,665,146
Total short-term investments (cost \$74,665,146)		\$74,665,146
Total investments (cost \$1,154,688,967)		\$1,427,879,351

Key to holding's abbreviations

ADR	American Depository Receipts
CVR	Contingent Value Rights

Notes to the fund's portfolio

Unless noted otherwise, the notes to the fund's portfolio are for the close of the fund's reporting period, which ran from January 1, 2011 through June 30, 2011 (the reporting period).

* Percentages indicated are based on net assets of \$1,361,391,912.

† Non-income-producing security.

d See Note 1 to the financial statements regarding securities lending. The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

S Security on loan, in part or in entirety, at the close of the reporting period.

Debt obligations are considered secured unless otherwise indicated.

144A after the name of an issuer represents securities exempt from registration under Rule 144A under the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers.

ADR after the name of a foreign holding represents ownership of foreign securities on deposit with a custodian bank.

The dates shown on debt obligations are the original maturity dates.

Accounting Standards Codification ASC 820 *Fair Value Measurements and Disclosures* (ASC 820) establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the fund's investments. The three levels are defined as follows:

Level 1 — Valuations based on quoted prices for identical securities in active markets.

Level 2 — Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and significant to the fair value measurement.

The following is a summary of the inputs used to value the fund's net assets as of the close of the reporting period:

Investments in securities:	Valuation inputs		
	Level 1	Level 2	Level 3
Common stocks:			
Consumer discretionary	\$131,721,943	\$—	\$—
Consumer staples	72,410,374	—	—
Energy	195,416,392	—	—
Financials	307,922,387	—	—
Health care	168,997,063	—	—
Industrials	174,960,999	1,146,685	—
Information technology	112,364,178	1,547,486	—
Materials	55,932,973	—	—
Telecommunication services	75,800,305	—	—
Utilities	50,710,110	—	—
Total common stocks	1,346,236,724	2,694,171	—
Convertible bonds and notes	—	4,283,310	—
Short-term investments	—	74,665,146	—
Totals by level	\$1,346,236,724	\$81,642,627	\$—

The accompanying notes are an integral part of these financial statements.

Statement of assets and liabilities

6/30/11 (Unaudited)

Assets

Investment in securities, at value, including \$69,669,713 of securities on loan (Note 1):	
Unaffiliated issuers (identified cost \$1,080,023,821)	\$1,353,214,205
Affiliated issuers (identified cost \$74,665,146) (Note 1)	74,665,146
Dividends, interest and other receivables	2,617,203
Receivable for shares of the fund sold	54,098
Receivable for investments sold	27,764,232
Total assets	1,458,314,884

Liabilities

Payable to custodian (Note 2)	254,503
Payable for investments purchased	19,923,872
Payable for shares of the fund repurchased	729,755
Payable for compensation of Manager (Note 2)	528,218
Payable for investor servicing fees (Note 2)	87,035
Payable for custodian fees (Note 2)	23,001
Payable for Trustee compensation and expenses (Note 2)	478,157
Payable for administrative services (Note 2)	7,437
Payable for distribution fees (Note 2)	51,764
Collateral on securities loaned, at value (Note 1)	74,665,146
Other accrued expenses	174,084
Total liabilities	96,922,972
Net assets	\$1,361,391,912

Represented by

Paid-in capital (Unlimited shares authorized) (Notes 1 and 4)	\$1,634,772,537
Undistributed net investment income (Note 1)	9,479,834
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(556,050,833)
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	273,190,374
Total — Representing net assets applicable to capital shares outstanding	\$1,361,391,912

Computation of net asset value Class IA

Net assets	\$1,105,606,788
Number of shares outstanding	65,946,701
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$16.77

Computation of net asset value Class IB

Net assets	\$255,785,124
Number of shares outstanding	15,305,361
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$16.71

Statement of operations

Six months ended 6/30/11 (Unaudited)

Investment income

Dividends (net of foreign tax of \$96,448)	\$14,731,532
Interest (including interest income of \$6,808 from investments in affiliated issuers) (Note 6)	50,605
Securities lending (Note 1)	117,851
Total investment income	14,899,988

Expenses

Compensation of Manager (Note 2)	3,385,009
Investor servicing fees (Note 2)	718,609
Custodian fees (Note 2)	21,562
Trustee compensation and expenses (Note 2)	51,185
Administrative services (Note 2)	22,119
Distribution fees — Class IB (Note 2)	336,113
Other	232,308
Total expenses	4,766,905
Expense reduction (Note 2)	(58,987)

Net expenses **4,707,918**

Net investment income **10,192,070**

Net realized gain on investments (Notes 1 and 3) 86,014,916

Net realized loss on foreign currency transactions (Note 1) (195)

Net unrealized depreciation of assets and liabilities in foreign currencies during the period (10)

Net unrealized depreciation of investments during the period (35,782,060)

Net gain on investments **50,232,651**

Net increase in net assets resulting from operations **\$60,424,721**

The accompanying notes are an integral part of these financial statements.

Statement of changes in net assets

	Six months ended 6/30/11*	Year ended 12/31/10
Decrease in net assets		
Operations:		
Net investment income	\$10,192,070	\$19,458,284
Net realized gain on investments and foreign currency transactions	86,014,721	126,266,647
Net unrealized appreciation (depreciation) of investments and assets and liabilities in foreign currencies	(35,782,070)	43,051,429
Net increase in net assets resulting from operations	60,424,721	188,776,360
Distributions to shareholders (Note 1):		
From ordinary income		
Net investment income		
Class IA	(16,243,829)	(20,215,375)
Class IB	(3,158,420)	(4,382,851)
Decrease from capital share transactions (Note 4)	(99,930,819)	(223,578,041)
Total decrease in net assets	(58,908,347)	(59,399,907)
Net assets:		
Beginning of period	1,420,300,259	1,479,700,166
End of period (including undistributed net investment income of \$9,479,834 and \$18,690,013, respectively)	\$1,361,391,912	\$1,420,300,259

* Unaudited.

Financial highlights (For a common share outstanding throughout the period)

Period ended	INVESTMENT OPERATIONS:				LESS DISTRIBUTIONS:			RATIOS AND SUPPLEMENTAL DATA:					
	Net asset value, beginning of period	Net investment income (loss) ^a	Net realized and unrealized gain (loss) on investments	Total from investment operations	From net investment income	From net realized gain on investments	Total distributions	Net asset value, end of period	Total return at net asset value (%) ^{b,c}	Net assets, end of period (in thousands)	Ratio of expenses to average net assets (%) ^{b,d}	Ratio of net investment income (loss) to average net assets (%)	Portfolio turnover (%)
Class IA													
6/30/11 [†]	\$16.31	.13	.57	.70	(.24)	—	(.24)	\$16.77	4.26*	\$1,105,607	.31*	.74*	23*
12/31/10	14.46	.21	1.90	2.11	(.26)	—	(.26)	16.31	14.71	1,147,182	.63	1.45	45
12/31/09	11.54	.23	3.07 ^e	3.30	(.38)	—	(.38)	14.46	30.16 ^e	1,183,503	.67	1.90	55
12/31/08	23.28	.36	(8.17) ^g	(7.81)	(.52)	(3.41)	(3.93)	11.54	(38.57) ^g	1,117,897	.60 ^f	2.19 ^f	40
12/31/07	29.54	.40	(1.80)	(1.40)	(.46)	(4.40)	(4.86)	23.28	(5.80)	2,427,397	.55 ^f	1.52 ^f	50
12/31/06	26.51	.39	3.78	4.17	(.49)	(.65)	(1.14)	29.54	16.19	3,309,577	.55 ^f	1.44 ^f	78
Class IB													
6/30/11 [†]	\$16.23	.10	.58	.68	(.20)	—	(.20)	\$16.71	4.15*	\$255,785	.44*	.62*	23*
12/31/10	14.40	.18	1.87	2.05	(.22)	—	(.22)	16.23	14.38	273,119	.88	1.20	45
12/31/09	11.47	.20	3.06 ^e	3.26	(.33)	—	(.33)	14.40	29.81 ^e	296,197	.92	1.65	55
12/31/08	23.12	.31	(8.11) ^g	(7.80)	(.44)	(3.41)	(3.85)	11.47	(38.70) ^g	272,193	.85 ^f	1.94 ^f	40
12/31/07	29.36	.33	(1.79)	(1.46)	(.38)	(4.40)	(4.78)	23.12	(6.04)	592,681	.80 ^f	1.27 ^f	50
12/31/06	26.35	.32	3.76	4.08	(.42)	(.65)	(1.07)	29.36	15.91	791,640	.80 ^f	1.19 ^f	78

* Not annualized.

† Unaudited.

^a Per share net investment income (loss) has been determined on the basis of the weighted average number of shares outstanding during the period.

^b The charges and expenses at the insurance company separate account level are not reflected.

^c Total return assumes dividend reinvestment.

^d Includes amounts paid through expense offset and brokerage/service arrangements (Note 2).

^e Reflects a non-recurring litigation payment received by the fund from Tyco International, Ltd. which amounted to \$0.08 per share outstanding as of March 31, 2009. This payment resulted in an increase to total returns of 0.72% for the year ended December 31, 2009.

^f Reflects an involuntary contractual expense limitation and/or waivers of certain fund expenses in connection with investments in Putnam Prime Money Market Fund during the period. As a result of such limitation and/or waivers, the expenses of each class reflect a reduction of the following amounts:

	Percentage of average net assets
12/31/08	<0.01%
12/31/07	<0.01
12/31/06	<0.01

^g Reflects a non-recurring litigation payment received by the fund from Enron Corporation which amounted to \$0.06 per share outstanding on December 29, 2008. This payment resulted in an increase to total returns of 0.32% for the year ended December 31, 2008.

The accompanying notes are an integral part of these financial statements.

Note 1 — Significant accounting policies

Putnam VT Growth and Income Fund (the fund) is a diversified series of Putnam Variable Trust (the Trust), a Massachusetts business trust, registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The fund seeks capital growth and current income by investing in common stocks of large U.S. companies, with a focus on value stocks that offer the potential for capital growth, current income, or both. Value stocks are issued by companies that we believe are currently undervalued by the market. If we are correct and other investors recognize the value of the company, the price of its stock may rise.

The fund offers class IA and class IB shares of beneficial interest. Class IA shares are offered at net asset value and are not subject to a distribution fee. Class IB shares are offered at net asset value and pay an ongoing distribution fee, which is identified in Note 2.

Investment income, realized and unrealized gains and losses and expenses of the fund are borne pro-rata based on the relative net assets of each class to the total net assets of the fund, except that each class bears expenses unique to that class (including the distribution fees applicable to such classes). Each class votes as a class only with respect to its own distribution plan or other matters on which a class vote is required by law or determined by the Trustees. If the fund were liquidated, shares of each class would receive their pro-rata share of the net assets of the fund. In addition, the Trustees declare separate dividends on each class of shares.

In the normal course of business, the fund enters into contracts that may include agreements to indemnify another party under given circumstances. The fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be, but have not yet been, made against the fund. However, the fund's management team expects the risk of material loss to be remote.

The following is a summary of significant accounting policies consistently followed by the fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations. Actual results could differ from those estimates. Subsequent events after the Statement of assets and liabilities date through the date that the financial statements were issued have been evaluated in the preparation of the financial statements. Unless otherwise noted, the "reporting period" represents the period from January 1, 2011 through June 30, 2011.

A) Security valuation Investments for which market quotations are readily available are valued at the last reported sales price on their principal exchange, or official closing price for certain markets, and are classified as Level 1 securities. If no sales are reported — as in the case of some securities traded over-the-counter — a security is valued at its last reported bid price and is generally categorized as a Level 2 security.

Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value foreign equity securities taking into account multiple factors including movements in the U.S. securities markets, currency valuations and comparisons to the valuation of American Depository Receipts, exchange-traded funds and futures contracts. These securities, which will generally represent a transfer from a Level 1 to a Level 2 security, will be classified as Level 2. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. At the close of the reporting period, fair value pricing was used for certain foreign securities in the portfolio. Securities quoted in foreign currencies, if any, are translated into U.S. dollars at the current exchange rate.

To the extent a pricing service or dealer is unable to value a security or provides a valuation that Putnam Investment Management, LLC (Putnam Management), the fund's manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC, does not believe accurately reflects the security's fair value, the security will be valued at fair value by Putnam Management. Certain investments, including

certain restricted and illiquid securities and derivatives, are also valued at fair value following procedures approved by the Trustees. These valuations consider such factors as significant market or specific security events such as interest rate or credit quality changes, various relationships with other securities, discount rates, U.S. Treasury, U.S. swap and credit yields, index levels, convexity exposures and recovery rates. These securities are classified as Level 2 or as Level 3 depending on the priority of the significant inputs.

Such valuations and procedures are reviewed periodically by the Trustees. The fair value of securities is generally determined as the amount that the fund could reasonably expect to realize from an orderly disposition of such securities over a reasonable period of time. By its nature, a fair value price is a good faith estimate of the value of a security in a current sale and does not reflect an actual market price, which may be different by a material amount.

B) Security transactions and related investment income Security transactions are recorded on the trade date (the date the order to buy or sell is executed). Gains or losses on securities sold are determined on the identified cost basis. Interest income is recorded on the accrual basis. Dividend income, net of applicable withholding taxes, is recognized on the ex-dividend date except that certain dividends from foreign securities, if any, are recognized as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair market value of the securities received. Dividends representing a return of capital or capital gains, if any, are reflected as a reduction of cost and/or as a realized gain.

C) Foreign currency translation The accounting records of the fund are maintained in U.S. dollars. The market value of foreign securities, currency holdings, and other assets and liabilities is recorded in the books and records of the fund after translation to U.S. dollars based on the exchange rates on that day. The cost of each security is determined using historical exchange rates. Income and withholding taxes are translated at prevailing exchange rates when earned or incurred. The fund does not isolate that portion of realized or unrealized gains or losses resulting from changes in the foreign exchange rate on investments from fluctuations arising from changes in the market prices of the securities. Such gains and losses are included with the net realized and unrealized gain or loss on investments. Net realized gains and losses on foreign currency transactions represent net realized exchange gains or losses on closed forward currency contracts, disposition of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions and the difference between the amount of investment income and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized appreciation and depreciation of assets and liabilities in foreign currencies arise from changes in the value of open forward currency contracts and assets and liabilities other than investments at the period end, resulting from changes in the exchange rate. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations, not present with domestic investments. The fund may be subject to taxes imposed by governments of countries in which it invests. Such taxes are generally based on either income or gains earned or repatriated. The fund accrues and applies such taxes to net investment income, net realized gains and net unrealized gains as income and/or capital gains are earned. In some cases, the fund may be entitled to reclaim all or a portion of such taxes, and such reclaim amounts, if any, are reflected as an asset on the fund's books. In many cases, however, the fund may not receive such amounts for an extended period of time, depending on the country of investment.

D) Securities lending The fund may lend securities, through its agent, to qualified borrowers in order to earn additional income. The loans are collateralized by cash in an amount at least equal to the market value of the securities loaned. The market value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The risk of borrower default will be borne by the fund's agent; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending is included in investment income on the Statement of operations. Cash collateral is invested in Putnam Cash Collateral Pool, LLC, a limited liability company managed by an affiliate of Putnam Management. Investments in Putnam Cash Collateral Pool, LLC are valued at its closing net asset value each business day. There are no management fees charged by Putnam Cash Collateral Pool, LLC. At the close of the reporting period, the value of securities loaned amounted to \$73,133,360. Certain of these securities were sold prior to

the close of the reporting period and are included in Receivable for investments sold on the Statement of assets and liabilities. The fund received cash collateral of \$74,665,146.

E) Interfund lending The fund, along with other Putnam funds, may participate in an interfund lending program pursuant to an exemptive order issued by the Securities and Exchange Commission (the SEC). This program allows the fund to borrow from or lend to other Putnam funds that permit such transactions. Interfund lending transactions are subject to each fund's investment policies and borrowing and lending limits. Interest earned or paid on the interfund lending transaction will be based on the average of certain current market rates. During the reporting period, the fund did not utilize the program.

F) Line of credit The fund participates, along with other Putnam funds, in a \$285 million unsecured committed line of credit and a \$165 million unsecured uncommitted line of credit, both provided by State Street Bank and Trust Company (State Street). Borrowings may be made for temporary or emergency purposes, including the funding of shareholder redemption requests and trade settlements. Interest is charged to the fund based on the fund's borrowing at a rate equal to the Federal Funds rate plus 1.25% for the committed line of credit and the Federal Funds rate plus 1.30% for the uncommitted line of credit. A closing fee equal to 0.03% of the committed line of credit and \$100,000 for the uncommitted line of credit has been paid by the participating funds. In addition, a commitment fee of 0.15% per annum on any unutilized portion of the committed line of credit is allocated to the participating funds based on their relative net assets and paid quarterly. During the reporting period, the fund had no borrowings against these arrangements.

G) Federal taxes It is the policy of the fund to distribute all of its taxable income within the prescribed time period and otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable to regulated investment companies. It is also the intention of the fund to distribute an amount sufficient to avoid imposition of any excise tax under Section 4982 of the Code. The fund is subject to the provisions of Accounting Standards Codification ASC 740 *Income Taxes* (ASC 740). ASC 740 sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The fund did not have a liability to record for any unrecognized tax benefits in the accompanying financial statements. No provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains. Each of the fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

At December 31, 2010, the fund had a capital loss carryover of \$602,967,566 available to the extent allowed by the Code to off set future net capital gain, if any. The amounts of the carryovers and the expiration dates are:

Loss carryover	Expiration
\$353,288,014	12/31/16
249,679,552	12/31/17

Under the recently enacted Regulated Investment Company Modernization Act of 2010, the fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. However, any losses incurred during those future years will be required to be utilized prior to the losses incurred in pre-enactment tax years. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

The aggregate identified cost on a tax basis is \$1,195,503,229, resulting in gross unrealized appreciation and depreciation of \$264,599,294 and \$32,223,172, respectively, or net unrealized appreciation of \$232,376,122.

H) Distributions to shareholders Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. Dividend sources are estimated at the time of declaration. Actual results may vary. Any non-taxable return of capital cannot be determined until final tax calculations are completed after the end of the fund's fiscal year. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations.

I) Expenses of the Trust Expenses directly charged or attributable to any fund will be paid from the assets of that fund. Generally, expenses of the Trust will be allocated among and charged to the assets of each fund on a basis that the Trustees deem fair and equitable, which may be based on the relative assets of each fund or the nature of the services performed and relative applicability to each fund.

J) Beneficial interest At the close of the reporting period, insurance companies or their separate accounts were record owners of all but a de minimis number of the shares of the fund. Approximately 42.1% of the fund is owned by accounts of one group of insurance companies.

Note 2 — Management fee, administrative services and other transactions

The fund pays Putnam Management a management fee (based on the fund's average net assets and computed and paid monthly) at annual rates that may vary based on the average of the aggregate net assets of most open-end funds, as defined in the fund's management contract, sponsored by Putnam Management. Such annual rates may vary as follows:

0.630%	of the first \$5 billion,
0.580%	of the next \$5 billion,
0.530%	of the next \$10 billion,
0.480%	of the next \$10 billion,
0.430%	of the next \$50 billion,
0.410%	of the next \$50 billion,
0.400%	of the next \$100 billion,
0.395%	of any excess thereafter.

Putnam Management has contractually agreed, through June 30, 2012, to waive fees or reimburse the fund's expenses to the extent necessary to limit the cumulative expenses of the fund, exclusive of brokerage, interest, taxes, investment-related expenses, extraordinary expenses and payments under the fund's investor servicing contract, investment management contract and distribution plans, on a fiscal year-to-date basis to an annual rate of 0.20% of the fund's average net assets over such fiscal year-to-date period. During the reporting period, the fund's expenses were not reduced as a result of this limit.

Putnam Investments Limited (PIL), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. Putnam Management pays a quarterly sub-management fee to PIL for its services at an annual rate of 0.35% of the average net assets of the portion of the fund managed by PIL.

The fund reimburses Putnam Management an allocated amount for the compensation and related expenses of certain officers of the fund and their staff who provide administrative services to the fund. The aggregate amount of all such reimbursements is determined annually by the Trustees.

Custodial functions for the fund's assets are provided by State Street. Custody fees are based on the fund's asset level, the number of its security holdings and transaction volumes.

Putnam Investor Services, Inc., an affiliate of Putnam Management, provides investor servicing agent functions to the fund. Putnam Investor Services, Inc. was paid a monthly fee for investor servicing at an annual rate of 0.10% of the fund's average net assets. The amounts incurred for investor servicing agent functions during the reporting period are included in Investor servicing fees in the Statement of operations.

The fund has entered into expense offset arrangements with Putnam Investor Services, Inc. and State Street whereby Putnam Investor Services, Inc.'s and State Street's fees are reduced by credits allowed on cash balances. The fund also reduced expenses through brokerage/service arrangements. For the reporting period, the fund's expenses were reduced by \$5 under the expense offset arrangements and by \$58,982 under the brokerage/service arrangements.

Each independent Trustee of the fund receives an annual Trustee fee, of which \$809, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees also are reimbursed for expenses they incur relating to their services as Trustees.

The fund has adopted a Trustee Fee Deferral Plan (the Deferral Plan) which allows the Trustees to defer the receipt of all or a portion of Trustees fees payable on or after July 1, 1995. The deferred fees remain invested in certain Putnam funds until distribution in accordance with the Deferral Plan.

The fund has adopted an unfunded noncontributory defined benefit pension plan (the Pension Plan) covering all Trustees of the fund who have served as a Trustee for at least five years and were first elected prior to 2004. Benefits under the Pension Plan are equal to 50% of the Trustee's average annual attendance and retainer fees for the three years ended December 31, 2005. The retirement benefit is payable during a Trustee's lifetime, beginning the year following retirement, for the number of years of service through December 31, 2006. Pension expense for the fund is included in Trustee compensation and expenses in the Statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the Statement of assets and liabilities. The Trustees have terminated the Pension Plan with respect to any Trustee first elected after 2003.

The fund has adopted a distribution plan (the Plan) with respect to its class IB shares pursuant to Rule 12b-1 under the Investment Company Act of

1940. The purpose of the Plan is to compensate Putnam Retail Management Limited Partnership, a wholly-owned subsidiary of Putnam Investments, LLC and Putnam Retail Management GP, Inc., for services provided and expenses incurred in distributing shares of the fund. The Plan provides for payment by the fund to Putnam Retail Management Limited Partnership at an annual rate of up to 0.35% of the average net assets attributable to the fund's class IB shares. The Trustees have approved payment by the fund at an annual rate of 0.25% of the average net assets attributable to the fund's class IB shares.

Note 3 — Purchases and sales of securities

During the reporting period, cost of purchases and proceeds from sales of investment securities other than short-term investments aggregated \$333,174,626 and \$435,499,982, respectively. There were no purchases or proceeds from sales of long-term U.S. government securities.

Note 4 — Capital shares

At the close of the reporting period, there was an unlimited number of shares of beneficial interest authorized. Subscriptions and redemptions are presented at the omnibus level. Transactions in capital shares were as follows:

	Class IA shares				Class IB shares			
	Six months ended 6/30/11		Year ended 12/31/10		Six months ended 6/30/11		Year ended 12/31/10	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Shares sold	55,356	\$936,858	92,424	\$1,362,003	147,672	\$2,498,037	246,054	\$3,554,411
Shares issued in connection with reinvestment of distributions	950,487	16,243,829	1,338,767	20,215,375	185,245	3,158,420	291,026	4,382,851
	1,005,843	17,180,687	1,431,191	21,577,378	332,917	5,656,457	537,080	7,937,262
Shares repurchased	(5,413,133)	(91,541,491)	(12,951,943)	(190,441,871)	(1,850,681)	(31,226,472)	(4,288,078)	(62,650,810)
Net decrease	(4,407,290)	\$(74,360,804)	(11,520,752)	\$(168,864,493)	(1,517,764)	\$(25,570,015)	(3,750,998)	\$(54,713,548)

Note 5 — Summary of derivative activity

As of the close of the reporting period, the fund did not hold any derivative instruments.

The following is a summary of realized gains or losses of derivative instruments on the Statement of operations for the reporting period (see Note 1):

Amount of realized gain or (loss) on derivatives recognized in net gain or (loss) on investments

Derivatives not accounted for as hedging instruments under ASC 815	Warrants	Total
Equity contracts	\$3,427	\$3,427
Total	\$3,427	\$3,427

Note 6 — Investment in Putnam Money Market Liquidity Fund

The fund invested in Putnam Money Market Liquidity Fund, an open-end management investment company managed by Putnam Management. Investments in Putnam Money Market Liquidity Fund are valued at its closing net asset value each business day. Income distributions earned by the fund are recorded as interest income in the Statement of operations and totaled \$6,808 for the reporting period. During the reporting period, cost of purchases and proceeds of sales of investments in Putnam Money Market Liquidity Fund aggregated \$109,269,140 and \$121,258,757, respectively. Management fees charged to Putnam Money Market Liquidity Fund have been waived by Putnam Management.

Note 7 — Market and credit risk

In the normal course of business, the fund trades financial instruments and enters into financial transactions where risk of potential loss exists due to changes in the market (market risk) or failure of the contracting party to the transaction to perform (credit risk). The fund may be exposed to additional credit risk that an institution or other entity with which the fund has unsettled or open transactions will default.

Trustee approval of management contract

General conclusions

The Board of Trustees of the Putnam funds oversees the management of each fund and, as required by law, determines annually whether to approve the continuance of your fund's management contract with Putnam Investment Management ("Putnam Management") and the sub-management contract with respect to your fund between Putnam Management and its affiliate, Putnam Investments Limited ("PIL").

The Board of Trustees, with the assistance of its Contract Committee which consists solely of Trustees who are not "interested persons" (as this term is defined in the Investment Company Act of 1940, as amended) of the Putnam funds ("Independent Trustees"), requests and evaluates all information it deems reasonably necessary under the circumstances in connection with its annual contract review. Over the course of several months ending in June 2011, the Contract Committee met on a number of occasions with representatives of Putnam Management, and separately in executive session, to consider the information that Putnam Management provided and other information developed with the assistance of the Board's independent counsel and independent staff. The Contract Committee reviewed and discussed key aspects of this information with all of the Independent Trustees on a number of occasions. At the Trustees' June 17, 2011 meeting, the Contract Committee recommended, and the Independent Trustees approved, the continuance of your fund's management and sub-management contracts, effective July 1, 2011. (Because PIL is an affiliate of Putnam Management and Putnam Management remains fully responsible for all services provided by PIL, the Trustees have not evaluated PIL as a separate entity, and all subsequent references to Putnam Management below should be deemed to include reference to PIL as necessary or appropriate in the context.)

The Independent Trustees' approval was based on the following conclusions:

- That the fee schedule in effect for your fund represented reasonable compensation in light of the nature and quality of the services being provided to the fund, the fees paid by competitive funds, and the costs incurred by Putnam Management in providing services, and
- That the fee schedule represented an appropriate sharing between fund shareholders and Putnam Management of such economies of scale as may exist in the management of the fund at current asset levels.

These conclusions were based on a comprehensive consideration of all information provided to the Trustees and were not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations and how the Trustees considered these factors are described below, although individual Trustees may have evaluated the information presented differently, giving different weights to various factors. It is also important to recognize that the management arrangements for your fund and the other Putnam funds are the result of many years of review and discussion between the Independent Trustees and Putnam Management, that some aspects of the arrangements may receive greater scrutiny in some years than others, and that the Trustees' conclusions may be based, in part, on their consideration of fee arrangements in previous years.

Management fee schedules and total expenses

The Trustees reviewed the management fee schedules in effect for all Putnam funds, including fee levels and breakpoints. In reviewing management fees, the Trustees generally focus their attention on material changes in circumstances — for example, changes in assets under management or investment style, changes in Putnam Management's operating costs, or changes in competitive practices in the mutual fund industry — that suggest that consideration of fee changes might be warranted. The Trustees concluded that the circumstances did not warrant changes to the management fee structure of your fund.

Most of the open-end Putnam funds have new management contracts, with new fee schedules reflecting the implementation of more competitive fee levels for many funds, complex-wide breakpoints for the open-end funds, and performance fees for some funds. These new management contracts have been in effect for a little over a year — since January or, for a few funds, February, 2010. The Trustees approved the new management contracts on July 10, 2009, and fund shareholders subsequently approved the contracts by overwhelming majorities of the shares voted.

Because these management contracts had been implemented only recently, the Contract Committee had limited practical experience with the operation of the new fee structures. Under its new management contract, your fund has the benefit of breakpoints in its management fee that provide shareholders with significant economies of scale in the form of reduced fee levels as assets under management in the Putnam family of funds increase. The Contract Committee observed that the complex-wide breakpoints of the open-end funds had only been in place for a short while, and the Trustees will examine the operation of this new breakpoint structure in future years in light of further experience.

As in the past, the Trustees also focused on the competitiveness of each fund's total expense ratio. In order to ensure that expenses of the Putnam funds continue to meet evolving competitive standards, the Trustees and Putnam Management agreed in 2009 to implement certain expense limitations. These expense limitations serve in particular to maintain competitive expense levels for funds with large numbers of small shareholder accounts and funds with relatively small net assets. Most funds, including your fund, had sufficiently low expenses that these expense limitations did not apply. The expense limitations were: (i) a contractual expense limitation applicable to all retail open-end funds of 37.5 basis points on investor servicing fees and expenses and (ii) a contractual expense limitation applicable to all open-end funds of 20 basis points on so-called "other expenses" (i.e., all expenses exclusive of management fees, investor servicing fees, distribution fees, investment-related expenses, interest, taxes, brokerage commissions and extraordinary expenses). Putnam Management's support for these expense limitations was an important factor in the Trustees' decision to approve the continuance of your fund's management and sub-management contracts.

The Trustees reviewed comparative fee and expense information for a custom group of competitive funds selected by Lipper Inc. This comparative information included your fund's percentile ranking for effective management fees and total expenses (excluding any applicable 12b-1 fee), which provides a general indication of your

fund's relative standing. In the custom peer group, your fund ranked in the 1st quintile in effective management fees (determined for your fund and the other funds in the custom peer group based on fund asset size and the applicable contractual management fee schedule) and in the 1st quintile in total expenses (excluding any applicable 12b-1 fees) as of December 31, 2010 (the first quintile representing the least expensive funds and the fifth quintile the most expensive funds). The fee and expense data reported by Lipper as of December 31, 2010 reflected the most recent fiscal year-end data available in Lipper's database at that time.

In connection with their review of the management fees and total expenses of the Putnam funds, the Trustees also reviewed the costs of the services provided and the profits realized by Putnam Management and its affiliates from their contractual relationships with the funds. This information included trends in revenues, expenses and profitability of Putnam Management and its affiliates relating to the investment management, investor servicing and distribution services provided to the funds. In this regard, the Trustees also reviewed an analysis of Putnam Management's revenues, expenses and profitability, allocated on a fund-by-fund basis, with respect to the funds' management, distribution, and investor servicing contracts. For each fund, the analysis presented information about revenues, expenses and profitability for each of the agreements separately and for the agreements taken together on a combined basis. The Trustees concluded that, at current asset levels, the fee schedules in place represented reasonable compensation for the services being provided and represented an appropriate sharing of such economies of scale as may exist in the management of the funds at that time.

The information examined by the Trustees as part of their annual contract review for the Putnam funds has included for many years information regarding fees charged by Putnam Management and its affiliates to institutional clients such as defined benefit pension plans, college endowments, and the like. This information included comparisons of those fees with fees charged to the funds, as well as an assessment of the differences in the services provided to these different types of clients. The Trustees observed that the differences in fee rates between institutional clients and mutual funds are by no means uniform when examined by individual asset sectors, suggesting that differences in the pricing of investment management services to these types of clients may reflect historical competitive forces operating in separate markets. The Trustees considered the fact that in many cases fee rates across different asset classes are higher on average for mutual funds than for institutional clients, as well as the differences between the services that Putnam Management provides to the Putnam funds and those that it provides to its institutional clients. The Trustees did not rely on these comparisons to any significant extent in concluding that the management fees paid by your fund are reasonable.

Investment performance

The quality of the investment process provided by Putnam Management represented a major factor in the Trustees' evaluation of the quality of services provided by Putnam Management under your fund's management contract. The Trustees were assisted in their review of the Putnam funds' investment process and performance by the work of several investment oversight committees of the Trustees, which met on a regular basis with the funds' portfolio teams and with the Chief Investment Officer and other members of Putnam Management's Investment Division throughout the year. The

Trustees concluded that Putnam Management generally provides a high-quality investment process — based on the experience and skills of the individuals assigned to the management of fund portfolios, the resources made available to them, and in general Putnam Management's ability to attract and retain high-quality personnel — but also recognized that this does not guarantee favorable investment results for every fund in every time period. The Trustees considered the investment performance of each fund over multiple time periods and considered information comparing each fund's performance with various benchmarks and with the performance of competitive funds.

The Committee noted the substantial improvement in the performance of most Putnam funds during the 2009–2010 period and Putnam Management's ongoing efforts to strengthen its investment personnel and processes. The Committee also noted the disappointing investment performance of some funds for periods ended December 31, 2010 and considered information provided by Putnam Management regarding the factors contributing to the underperformance and actions being taken to improve the performance of these particular funds. The Trustees indicated their intention to continue to monitor performance trends to assess the effectiveness of these efforts and to evaluate whether additional actions to address areas of underperformance are warranted.

In the case of your fund, the Trustees considered that its class IA share cumulative total return performance at net asset value was in the following quartiles of its Lipper Inc. peer group (Lipper VP (Underlying Funds) — Large-Cap Value Funds) for the one-year, three-year and five-year periods ended December 31, 2010 (the first quartile representing the best-performing funds and the fourth quartile the worst-performing funds):

One-year period	Three-year period	Five-year period
2nd	2nd	4th

Over the one-year, three-year and five-year periods ended December 31, 2010, there were 125, 103 and 93 funds, respectively, in your fund's Lipper peer group. (When considering performance information, shareholders should be mindful that past performance is not a guarantee of future results.)

The Trustees expressed concern about your fund's fourth quartile performance over the five-year period ended December 31, 2010 and considered the circumstances that may have contributed to this disappointing performance. The Trustees considered Putnam Management's observation that the fund's underperformance over this period was due in significant part to the fund's particularly weak performance in 2006 and 2007. They noted Putnam Management's view that performance in 2007 was hurt by the fund's overweight exposure to the financials sector, which began to experience extreme distress in the summer of 2007, while performance in 2006 was weak across most sectors. The Trustees considered steps that Putnam Management had taken to support improved performance, noting in particular that, in November 2008, a new portfolio manager had taken sole responsibility for managing the fund's investments and that, since then, the fund's relative performance had improved. The Trustees also considered a number of other changes that Putnam Management had made in recent years in efforts to support and improve fund performance generally. These changes included Putnam Management's efforts to increase accountability and to reduce complexity in the portfolio management process for the Putnam equity funds by moving generally from a portfolio

management team structure to a decision-making process that vests full authority and responsibility with individual portfolio managers and by affirming its commitment to a fundamental-driven approach to investing. The Trustees noted that Putnam Management had also worked to strengthen its fundamental research capabilities by adding new investment personnel to the large-cap equity research team and by bringing U.S. and international research under common leadership. In addition, the Trustees recognized that Putnam Management has adjusted the compensation structure for portfolio managers and research analysts so that only those who achieve top-quartile returns over a rolling three-year basis are eligible for full bonuses.

As a general matter, the Trustees believe that cooperative efforts between the Trustees and Putnam Management represent the most effective way to address investment performance problems. The Trustees noted that investors in the Putnam funds have, in effect, placed their trust in the Putnam organization, under the oversight of the funds' Trustees, to make appropriate decisions regarding the management of the funds. Based on the responsiveness of Putnam Management in the recent past to performance issues, the Trustees concluded that it is preferable to seek change within Putnam Management to address performance shortcomings. In the Trustees' view, the alternative of engaging a new investment adviser for an underperforming fund would entail significant disruptions and would not provide any greater assurance of improved investment performance.

**Brokerage and soft-dollar allocations;
investor servicing**

The Trustees considered various potential benefits that Putnam Management may receive in connection with the services it provides

under the management contract with your fund. These include benefits related to brokerage allocation and the use of soft dollars, whereby a portion of the commissions paid by a fund for brokerage may be used to acquire research services that are expected to be useful to Putnam Management in managing the assets of the fund and of other clients. Subject to policies established by the Trustees, soft-dollar credits acquired through these means are used primarily to supplement Putnam Management's internal research efforts. However, the Trustees noted that a portion of available soft-dollar credits continues to be allocated to the payment of fund expenses. The Trustees indicated their continued intent to monitor regulatory developments in this area with the assistance of their Brokerage Committee and also indicated their continued intent to monitor the potential benefits associated with fund brokerage and soft-dollar allocations and trends in industry practices to ensure that the principle of seeking best price and execution remains paramount in the portfolio trading process.

Putnam Management may also receive benefits from payments that the funds make to Putnam Management's affiliates for investor or distribution services. In conjunction with the annual review of your fund's management contract, the Trustees reviewed your fund's investor servicing agreement with Putnam Investor Services, Inc. ("PSERV") and its distributor's contracts and distribution plans with Putnam Retail Management Limited Partnership ("PRM"), both of which are affiliates of Putnam Management. The Trustees concluded that the fees payable by the funds to PSERV and PRM, as applicable, for such services are reasonable in relation to the nature and quality of such services.

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Other important information

Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2011, are available in the Individual Investors section of putnam.com and on the SEC's website, www.sec.gov. If you have questions about finding forms on the SEC's website, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

Fund portfolio holdings

Each Putnam VT fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain the fund's Forms N-Q on the SEC's website at www.sec.gov. In addition, the fund's Forms N-Q may be reviewed and copied at the SEC's public reference room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's website or the operation of the public reference room.

Fund information

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