

A world of investing.®



Putnam Variable Trust

Annual report

12 | 31 | 16

Putnam VT
Global Health Care Fund

Message from the Trustees

Dear Shareholder:

With 2017 under way, investor sentiment generally brightened at the prospect of moving beyond the challenges of the past year, when politics tested markets. Fortunately, market turbulence in the aftermath of key political events was in many cases followed by impressive rebounds, and annual performance in most global financial markets exceeded expectations.

Of course, uncertainties and macroeconomic risks do not simply disappear with the close of the calendar year. Conditions in the bond market have changed given the shift in the potential for inflation. As such, we believe investors should continue to focus on time-tested strategies: maintain a well-diversified portfolio, keep a long-term view, and do not overreact to short-term market fluctuations. To help ensure that your portfolio is aligned with your individual goals, time horizon, and tolerance for risk, we also believe it is a good idea to speak regularly with your financial advisor.

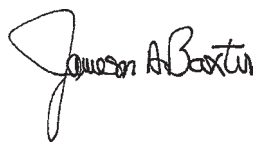
In today's environment, we favor the investment approach practiced at Putnam — active strategies based on fundamental research. Putnam portfolio managers, backed by a network of global analysts, bring years of experience to navigating changing market conditions and pursuing investment opportunities. In the following pages, you will find an overview of your fund's performance for the reporting period ended December 31, 2016, as well as an outlook for the coming months.

As always, thank you for investing with Putnam.

Respectfully yours,



Robert L. Reynolds
President and Chief Executive Officer
Putnam Investments



Jameson A. Baxter
Chair, Board of Trustees

February 10, 2017

Performance summary (as of 12/31/16)

Investment objective

Capital appreciation

Net asset value December 31, 2016

Class IA: \$16.10

Class IB: \$15.68

Total return at net asset value

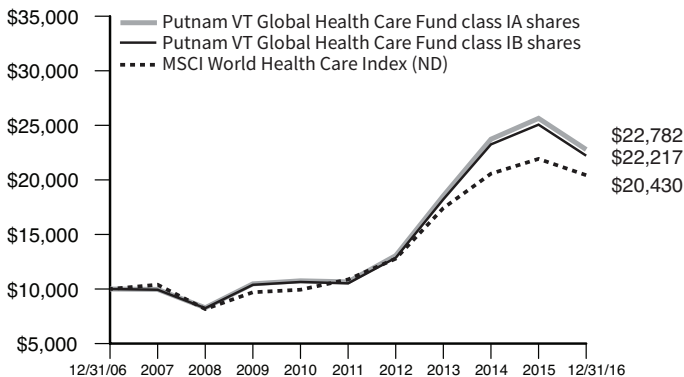
(as of 12/31/16)	Class IA shares*	Class IB shares*	MSCI World Health Care Index (ND)†
1 year	-11.14%	-11.35%	-6.81%
5 years	113.82	111.25	87.89
Annualized	16.41	16.13	13.44
10 years	127.82	122.17	104.30
Annualized	8.58	8.31	7.41
Life	219.28	205.96	—
Annualized	6.42	6.17	—

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.

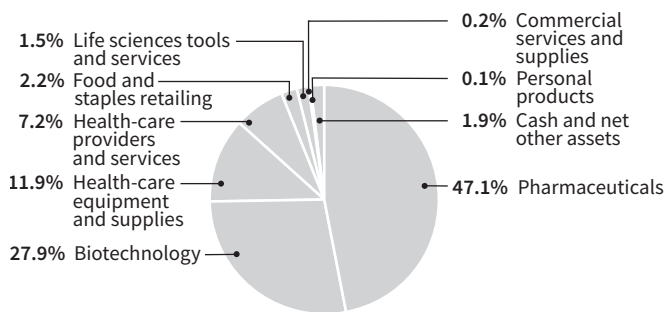
Cumulative total returns of a \$10,000 investment in class IA and class IB shares at net asset value — since 12/31/06



The MSCI World Health Care Index (ND) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets in the health-care sector. Calculated with net dividends (ND), this total return index reflects the reinvestment of dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

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. Performance information does not reflect any deduction for taxes a shareholder may owe on fund distributions or on the redemption of fund 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



Allocations are shown as a percentage of the fund's net assets. Cash and net other assets, if any, represent the market value weights of cash, derivatives, short-term securities, and other unclassified assets in the portfolio. Summary information may differ from the portfolio schedule included in the financial statements due to the inclusion of derivative securities, any interest accruals, the exclusion of as-of trades, if any, the use of different classifications of securities for presentation purposes, and rounding. Holdings and allocations may vary over time.

Report from your fund's manager

How was the environment for health-care investing during the 12-month reporting period ended December 31, 2016?

Conditions were challenging for the sector, as health-care stocks worldwide endured declines after an extended period of advances. U.S. health-care stocks were the weakest-performing sector of the S&P 500 Index for the 2016 calendar year. The weakest industry was biotechnology, where concerns about drug pricing caused these stocks to underperform other health-care stocks as well as the broader market. Pricing drew more attention as candidates in the U.S. presidential election focused on prescription drug affordability. It was also a challenging period for the fund, which underperformed its benchmark, the MSCI World Health Care Index [ND].

What were some of the holdings that detracted from fund performance during the period?

The top detractor for the period was the stock of Allergan, which was among the top performers in the fund's previous fiscal year. The stock's decline during this reporting period was due almost entirely to investor disappointment after Allergan's planned merger with Pfizer was terminated in April.

Another disappointment for the period was biopharmaceutical company Gilead Sciences. Although Gilead has had great success with its two hepatitis C drugs, investors became concerned about pressure to lower the cost of the drugs due to competition from other companies launching hepatitis C treatments.

Could you highlight some stocks that helped fund performance for the period?

The top contributor was the fund's investment in Tesaro, a biotechnology company that specializes in cancer treatment. The stock advanced considerably after reports of positive results for a late-stage trial of Niraparib, a treatment for recurring ovarian cancer.

Another biotechnology company, Medivation, also contributed to fund performance. We added this stock to the portfolio in part because we believe it had potential as a takeover target. In our view, Medivation's expertise in oncology was very attractive to larger pharmaceutical or biotechnology companies looking to expand their cancer-treatment franchises. The stock advanced significantly after an announcement in October that Medivation would be acquired by Pfizer. By period's end, we sold our positions in Tesaro and Medivation.

What is your outlook for the health-care sector?

Although health-care stocks have faced considerable headwinds, we believe a number of trends may support continued growth across the sector over the longer term. Companies of all sizes have been developing breakthrough drugs and treatments, and we have been seeing impressive levels of innovation, in our view.

The views expressed in this report are exclusively those of Putnam Management and are subject to change. 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 currency, economic, and political risks. Emerging-market securities carry illiquidity and volatility risks. Investments in small and/or midsize companies increase the risk of greater price fluctuations. The health-care industries may be affected by technological obsolescence, changes in regulatory approval policies for drugs, medical devices or procedures, and changes in governmental and private payment systems. The fund concentrates on a limited group of industries and is non-diversified. Because the fund may invest in fewer issuers, it is vulnerable to common economic forces and may result in greater losses and volatility. 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. Risks associated with derivatives include increased investment exposure (which may be considered leverage) and, in the case of over-the-counter instruments, the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. Stock prices may fall or fail to rise over time for several reasons, including general financial market conditions and factors related to a specific company or industry. You can lose money by investing in the fund.

Your fund's manager



Portfolio Manager **Samuel Cox** is Co-Director of Equity Research at Putnam. He joined Putnam in 2014 and has been in the investment industry since 2002.

In addition to Sam, your fund is managed by Isabel Buccellati and Michael J. Maguire, CFA.

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 two left-hand columns of the Expenses per \$1,000 table show the expenses you would have paid on a \$1,000 investment in your fund from 7/1/16 to 12/31/16. 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 Expenses per \$1,000 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.

Expense ratios

	Class IA	Class IB
Total annual operating expenses for the fiscal year ended 12/31/15	0.75%	1.00%
Annualized expense ratio for the six-month period ended 12/31/16*	0.77%	1.02%

Fiscal-year expense information in this table is taken from the most recent prospectus, is subject to change, and may differ from that shown for the annualized expense ratio and in the financial highlights of this report.

Expenses are shown as a percentage of average net assets.

*For the fund's most recent fiscal half year; may differ from expense ratios based on one-year data in the financial highlights.

Expenses per \$1,000

	Expenses and value for a \$1,000 investment, assuming actual returns for the 6 months ended 12/31/16		Expenses and value for a \$1,000 investment, assuming a hypothetical 5% annualized return for the 6 months ended 12/31/16	
	Class IA	Class IB	Class IA	Class IB
Expenses paid per \$1,000*†	\$3.79	\$5.02	\$3.91	\$5.18
Ending value (after expenses)	\$960.00	\$959.00	\$1,021.27	\$1,020.01

*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 12/31/16. The expense ratio may differ for each share class.

†Expenses based on actual returns 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. Expenses based on a hypothetical 5% return are calculated by multiplying the expense ratio by the average account value for the six-month period; then multiplying the result by the number of days in the six-month period; and then dividing that result by the number of days in the year.

Report of Independent Registered Public Accounting Firm

To the Trustees of Putnam Variable Trust and Shareholders of
Putnam VT Global Health Care Fund:

In our opinion, the accompanying statement of assets and liabilities, including the portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Putnam VT Global Health Care Fund (the “Fund”) as of December 31, 2016, the results of its operations, the changes in its net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of investments as of December 31, 2016 by correspondence with the custodian, brokers, transfer agent, and the application of alternative auditing procedures where securities purchased had not been received, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
February 10, 2017

The fund's portfolio 12/31/16

COMMON STOCKS (97.6%)*	Shares	Value
Biotechnology (27.7%)		
Acceleron Pharma, Inc. †	11,800	\$301,136
Amgen, Inc.	42,055	6,148,861
Applied Genetic Technologies Corp. †	28,699	268,336
ARIAD Pharmaceuticals, Inc. †	58,000	721,520
Biogen, Inc. †	13,300	3,771,614
BioMarin Pharmaceutical, Inc. †	22,900	1,897,036
Blueprint Medicines Corp. † ^S	9,200	258,060
Catabasis Pharmaceuticals, Inc. †	587	2,119
Celgene Corp. †	80,600	9,329,450
ChemoCentryx, Inc. †	17,612	130,329
China Biologic Products, Inc. (China) † ^S	3,397	365,245
Cidara Therapeutics, Inc. †	7,597	79,009
Concert Pharmaceuticals, Inc. †	14,700	151,263
CytomX Therapeutics, Inc. †	119,015	1,307,975
Gilead Sciences, Inc.	105,900	7,583,499
Grifols SAADR (Spain)	50,600	813,142
Immune Design Corp. †	17,687	97,279
Shire PLC (United Kingdom)	58,932	3,339,451
Sorrento Therapeutics, Inc. † ^S	4,236	20,756
Trevena, Inc. †	33,060	194,393
Trillium Therapeutics, Inc. (Canada) †	7,749	43,782
Ultragenyx Pharmaceutical, Inc. † ^S	5,974	420,032
uniQure NV (Netherlands) †	26,675	149,380
Vertex Pharmaceuticals, Inc. †	9,300	685,131
		38,078,798
Commercial services and supplies (0.2%)		
Stericycle, Inc. †	3,900	300,456
		300,456
Food and staples retail (2.2%)		
AIN Holdings, Inc. (Japan)	12,300	812,999
Walgreens Boots Alliance, Inc.	27,200	2,251,072
		3,064,071
Health-care equipment and supplies (11.9%)		
Becton Dickinson and Co.	25,000	4,138,750
Boston Scientific Corp. †	114,200	2,470,146
C.R. Bard, Inc.	12,700	2,853,182
Danaher Corp.	61,300	4,771,592
Edwards Lifesciences Corp. †	5,000	468,500
Innocoll Holdings PLC (Ireland) †	25,866	17,848
Intuitive Surgical, Inc. †	2,500	1,585,425
		16,305,443
Health-care providers and services (7.2%)		
Aetna, Inc.	26,600	3,298,666
AmerisourceBergen Corp.	12,300	961,737
Fresenius Medical Care AG & Co., KGaA (Germany)	7,276	616,881
Humana, Inc.	9,100	1,856,673
Sinopharm Group Co. (China)	31,600	129,647
UnitedHealth Group, Inc.	18,700	2,992,748
		9,856,352
Health-care technology (—%)		
HTG Molecular Diagnostics, Inc. †	9,201	20,610
		20,610
Life sciences tools and services (1.6%)		
Agilent Technologies, Inc.	34,300	1,562,708
Illumina, Inc. †	4,400	563,376
		2,126,084

COMMON STOCKS (97.6%)* cont.	Shares	Value
Personal products (0.1%)		
Synutra International, Inc. †	30,730	\$164,406
		164,406
Pharmaceuticals (46.7%)		
Aerie Pharmaceuticals, Inc. †	19,459	736,523
Allergan PLC †	43,601	9,156,646
Aspen Pharmacare Holdings, Ltd. (South Africa)	23,685	488,741
Assembly Biosciences, Inc. †	33,919	412,116
Astellas Pharma, Inc. (Japan)	173,300	2,402,145
AstraZeneca PLC (United Kingdom)	70,795	3,839,445
Aurobindo Pharma, Ltd. (India)	54,642	538,200
Bayer AG (Germany)	19,880	2,074,000
Bristol-Myers Squibb Co.	84,700	4,949,868
Corium International, Inc. †	2,651	10,763
Eli Lilly & Co.	63,000	4,633,650
GlaxoSmithKline PLC (United Kingdom)	91,537	1,748,097
Jazz Pharmaceuticals PLC †	12,800	1,395,584
Johnson & Johnson	45,100	5,195,971
Merck & Co., Inc.	83,300	4,903,871
Neos Therapeutics, Inc. † ^S	10,794	63,145
Nippon Shinyaku Co., Ltd. (Japan)	12,100	595,165
Novartis AG (Switzerland)	76,936	5,596,221
Pfizer, Inc.	101,703	3,303,313
Roche Holding AG (Switzerland)	16,979	3,868,720
Sanofi (France)	54,875	4,438,064
Shionogi & Co., Ltd. (Japan)	29,100	1,388,510
Teva Pharmaceutical Industries, Ltd. ADR (Israel)	30,106	1,091,343
Zoetis, Inc.	27,447	1,469,238
		64,299,339
Total common stocks (cost \$102,428,231)		\$134,215,559

CONVERTIBLE PREFERRED STOCKS (0.6%)*	Shares	Value
Ovid Therapeutics, Inc. 144A Ser. B, 8.00% (acquired 8/13/15, cost \$478,414) (Private) † ^{ΔΔF}	76,792	\$387,515
Teva Pharmaceutical Industries, Ltd. 7.00% cv. pfd. (Israel)	609	394,206
		\$781,721

WARRANTS (—%)* †	Expiration date	Strike price	Warrants	Value
Neuralstem, Inc. Ser. J (acquired 1/3/14, cost \$0.00) ^{ΔΔF}	1/3/19	\$3.64	26,644	\$—
				\$—

SHORT-TERM INVESTMENTS (3.2%)*	Principal amount/shares	Value
Putnam Cash Collateral Pool, LLC 0.91% ^d	Shares 952,469	\$952,469
Putnam Short Term Investment Fund 0.69% ^L	Shares 3,033,230	3,033,230
U.S. Treasury Bills 0.477%, 2/16/17 ^Δ	\$110,000	109,941
U.S. Treasury Bills 0.387%, 1/19/17 ^Δ	131,000	130,976
U.S. Treasury Bills 0.487%, 1/12/17 ^Δ	110,000	109,989
		\$4,336,605
Total short-term investments (cost \$4,336,592)		\$4,336,605
Total investments (cost \$107,852,237)		\$139,333,885

Key to holding's abbreviations

ADR American Depository Receipts: represents ownership of foreign securities on deposit with a custodian bank

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, 2016 through December 31, 2016 (the reporting period). Within the following notes to the portfolio, references to "ASC 820" represent Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* and references to "OTC", if any, represent over-the-counter.

* Percentages indicated are based on net assets of \$137,566,278.

† This security is non-income-producing.

ΔΔ This security is restricted with regard to public resale. The total fair value of this security and any other restricted securities (excluding 144A securities), if any, held at the close of the reporting period was \$387,515, or 0.3% of net assets.

Δ This security, in part or in entirety, was pledged and segregated with the custodian for collateral on certain derivative contracts at the close of the reporting period.

‡ Affiliated company. See Notes 1 and 5 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.

‡ This security is valued by Putnam Management at fair value following procedures approved by the Trustees. Securities may be classified as Level 2 or Level 3 for ASC 820 based on the securities' valuation inputs. At the close of the reporting period, fair value pricing was also used for certain foreign securities in the portfolio (Note 1).

‡ Affiliated company (Note 5). The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

‡ Security on loan, in part or in entirety, at the close of the reporting period (Note 1).

At the close of the reporting period, the fund maintained liquid assets totaling \$304,099 to cover certain derivative contracts.

Unless otherwise noted, the rates quoted in Short-term investments security descriptions represent the weighted average yield to maturity.

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.

DIVERSIFICATION BY COUNTRY Δ

Distribution of investments by country of risk at the close of the reporting period, excluding collateral received, if any (as a percentage of Portfolio Value):

United States	74.9%	Germany	1.9%
Switzerland	6.8%	Israel	1.1%
United Kingdom	6.5%	Spain	0.6%
Japan	3.8%	Other	1.2%
France	3.2%	Total	100.0%

Δ Methodology differs from that used for purposes of complying with the fund's policy regarding investments in securities of foreign issuers, as discussed further in the fund's prospectus.

FORWARD CURRENCY CONTRACTS at 12/31/16 (aggregate face value \$8,622,604)

Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/ (depreciation)
Bank of America N.A.						
	Euro	Buy	3/16/17	\$2,850,223	\$2,888,937	\$(38,714)
Citibank, N.A.						
	Danish Krone	Buy	3/16/17	1,332,641	1,352,534	(19,893)
Credit Suisse International						
	Japanese Yen	Buy	2/16/17	1,476,292	1,647,986	(171,694)
HSBC Bank USA, National Association						
	Australian Dollar	Buy	1/18/17	1,299,641	1,377,666	(78,025)
JPMorgan Chase Bank N.A.						
	Swiss Franc	Buy	3/16/17	1,341,409	1,355,481	(14,072)
Total						\$(322,398)

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	\$2,415,478	\$812,999	\$—
Health care	99,623,339	31,063,287	—
Industrials	300,456	—	—
Total common stocks	102,339,273	31,876,286	—
Convertible preferred stocks	—	394,206	387,515
Warrants	—	—	—
Short-term investments	3,033,230	1,303,375	—
Totals by level	\$105,372,503	\$33,573,867	\$387,515

Other financial instruments:	Valuation inputs		
	Level 1	Level 2	Level 3
Forward currency contracts	\$—	\$(322,398)	\$—
Totals by level	\$—	\$(322,398)	\$—

* Common stock classifications are presented at the sector level, which may differ from the fund's portfolio presentation.

The following is a reconciliation of Level 3 assets as of the close of the reporting period:

Investments in securities:	Balance as of 12/31/15	Accrued discounts/premiums	Realized gain/(loss)	Change in net unrealized appreciation/(depreciation)#	Cost of purchases	Proceeds from sales	Total transfers into Level 3†	Total transfers out of Level 3†	Balance as of 12/31/16
Convertible preferred stocks	\$1,776,759	\$—	\$—	(892,767)	\$—	(883,992)	\$—	\$—	\$—
Preferred stocks	\$430,573	—	—	(43,058)	—	—	—	—	\$387,515
Totals	\$2,207,332	\$—	\$—	\$(935,825)	\$—	\$(883,992)	\$—	\$—	\$387,515

† Transfers during the reporting period are accounted for using the end of period market value and did not represent, in the aggregate, more than 1% of the fund's net assets measured as of the end of the period.

Includes \$43,058 related to Level 3 securities still held at period end. Total change in unrealized appreciation/(depreciation) for securities (including Level 1 and Level 2) can be found in the Statement of operations.

During the reporting period, transfers within the fair value hierarchy, if any (other than certain transfers involving non-U.S. equity securities as described in Note 1), did not represent, in the aggregate, more than 1% of the fund's net assets measured as of the end of the period. Transfers are accounted for using the end of period pricing valuation method.

Statement of assets and liabilities

12/31/16

Assets

Investment in securities, at value, including \$927,957 of securities on loan (Note 1):	
Unaffiliated issuers (identified cost \$103,866,538)	\$135,348,186
Affiliated issuers (identified cost \$3,985,699) (Notes 1 and 5)	3,985,699
Dividends, interest and other receivables	108,776
Foreign tax reclaim	55,796
Receivable for shares of the fund sold	63,041
Receivable for investments sold	127,329
Total assets	139,688,827

Liabilities

Payable for investments purchased	336,463
Payable for shares of the fund repurchased	245,563
Payable for compensation of Manager (Note 2)	73,399
Payable for custodian fees (Note 2)	9,685
Payable for investor servicing fees (Note 2)	23,751
Payable for Trustee compensation and expenses (Note 2)	80,858
Payable for administrative services (Note 2)	1,455
Payable for distribution fees (Note 2)	19,815
Unrealized depreciation on forward currency contracts (Note 1)	322,398
Collateral on securities loaned, at value (Note 1)	952,469
Other accrued expenses	56,693
Total liabilities	2,122,549

Net assets **\$137,566,278**

Represented by

Paid-in capital (Unlimited shares authorized) (Notes 1 and 4)	\$93,499,319
Undistributed net investment income (Note 1)	1,025,685
Accumulated net realized gain on investments and foreign currency transactions (Note 1)	11,883,825
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	31,157,449
Total — Representing net assets applicable to capital shares outstanding	\$137,566,278

Computation of net asset value Class IA

Net assets	\$44,196,974
Number of shares outstanding	2,745,251
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$16.10

Computation of net asset value Class IB

Net assets	\$93,369,304
Number of shares outstanding	5,955,438
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$15.68

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

Statement of operations

Year ended 12/31/16

Investment income

Dividends (net of foreign tax of \$101,580)	\$2,378,370
Interest (including interest income of \$6,627 from investments in affiliated issuers) (Note 5)	6,827
Securities lending (net of expenses) (Notes 1 and 5)	102,144
Total investment income	2,487,341

Expenses

Compensation of Manager (Note 2)	1,005,819
Investor servicing fees (Note 2)	112,481
Custodian fees (Note 2)	17,282
Trustee compensation and expenses (Note 2)	11,151
Distribution fees (Note 2)	273,046
Administrative services (Note 2)	4,538
Other	89,267
Fees waived and reimbursed by Manager (Note 2)	(2,091)

Total expenses **1,511,493**

Expense reduction (Note 2) (4,342)

Net expenses **1,507,151**

Net investment income **980,190**

Net realized gain on investments (Net of foreign tax of \$168) (Notes 1 and 3) 12,561,526

Net realized gain on foreign currency transactions (Note 1) 243,257

Net unrealized depreciation of assets and liabilities in foreign currencies during the year (490,754)

Net unrealized depreciation of investments during the year (34,783,598)

Net loss on investments **(22,469,569)**

Net decrease in net assets resulting from operations **\$(21,489,379)**

Statement of changes in net assets

	Year ended 12/31/16	Year ended 12/31/15
Increase (decrease) in net assets		
Operations		
Net investment income	\$980,190	\$788,820
Net realized gain on investments and foreign currency transactions	12,804,783	18,269,985
Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(35,274,352)	(5,895,891)
Net increase (decrease) in net assets resulting from operations	(21,489,379)	13,162,914
Distributions to shareholders (Note 1):		
Net realized short-term gain on investments		
Class IA	(488,646)	(1,519,820)
Class IB	(1,072,439)	(3,011,171)
From net realized long-term gain on investments		
Class IA	(5,674,893)	(3,496,773)
Class IB	(12,454,759)	(6,928,045)
Increase (decrease) from capital share transactions (Note 4)	(19,544,733)	24,764,072
Total increase (decrease) in net assets	(60,724,849)	22,971,177
Net assets		
Beginning of year	198,291,127	175,319,950
End of year (including undistributed net investment income of \$1,025,685 and \$145,815, respectively)	\$137,566,278	\$198,291,127

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 (%) ^{b, d}	Ratio of net investment income (loss) to average net assets (%)	Portfolio turnover (%)
Class IA													
12/31/16	\$20.52	.13	(2.41)	(2.28)	—	(2.14)	(2.14)	\$16.10	(11.14)	\$44,197	.77 ^e	.78 ^e	24
12/31/15	20.52	.12	1.57	1.69	—	(1.69)	(1.69)	20.52	8.06	63,810	.75	.57	16
12/31/14	17.75	.14	4.42	4.56	(.06)	(1.73)	(1.79)	20.52	27.96	61,107	.79	.74	27
12/31/13	13.11	.15	5.17	5.32	(.20)	(.48)	(.68)	17.75	41.98	53,545	.82	.97	30
12/31/12	11.85	.17	2.36	2.53	(.20)	(1.07)	(1.27)	13.11	22.57	42,239	.84	1.38	30
Class IB													
12/31/16	\$20.09	.09	(2.36)	(2.27)	—	(2.14)	(2.14)	\$15.68	(11.35)	\$93,369	1.02 ^e	.53 ^e	24
12/31/15	20.17	.06	1.55	1.61	—	(1.69)	(1.69)	20.09	7.79	134,481	1.00	.31	16
12/31/14	17.48	.09	4.35	4.44	(.02)	(1.73)	(1.75)	20.17	27.64	114,213	1.04	.49	27
12/31/13	12.92	.11	5.10	5.21	(.17)	(.48)	(.65)	17.48	41.66	90,726	1.07	.71	30
12/31/12	11.69	.14	2.33	2.47	(.17)	(1.07)	(1.24)	12.92	22.27	66,503	1.09	1.13	30

^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, if any (Note 2). Also excludes acquired fund fees and expenses, if any.

^e Reflects a voluntary waiver of certain fund expenses in effect during the period. As a result of such waivers, the expenses of each class reflect a reduction of less than .01% as a percentage of average net assets per share for each class (Note 2).

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

Notes to financial statements 12/31/16

Within the following Notes to financial statements, references to “State Street” represent State Street Bank and Trust Company, references to “the SEC” represent the Securities and Exchange Commission, references to “Putnam Management” represent Putnam Investment Management, LLC, the fund’s manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC and references to “OTC”, if any, represent over-the-counter. Unless otherwise noted, the “reporting period” represents the period from January 1, 2016 through December 31, 2016.

Putnam VT Global Health 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 goal of the fund is to seek capital appreciation. For this non-diversified fund concentrating in the health care industries, the fund invests mainly in common stocks (growth or value stocks or both) of large and midsize companies worldwide that Putnam Management believes have favorable investment potential. Under normal circumstances, Putnam Management invests at least 80% of the fund’s net assets in securities of companies in the health care industries. This policy may be changed only after 60 days’ notice to shareholders. Potential investments include companies that manufacture health care supplies or provide health care-related services, and companies in the research, development, production and marketing of pharmaceuticals and biotechnology products. The fund may purchase stocks of companies with stock prices that reflect a value lower than that which Putnam Management places on the company. Putnam Management may also consider other factors that it believes will cause the stock price to rise. Putnam Management may consider, among other factors, a company’s valuation, financial strength, growth potential, competitive position in its industry, projected future earnings, cash flows and dividends when deciding whether to buy or sell investments. The fund may also use derivatives, such as futures, options, certain foreign currency transactions, warrants and swap contracts, for both hedging and non-hedging purposes, and may engage in short sales of securities.

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.

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 fund has entered into contractual arrangements with an investment adviser, administrator, distributor, shareholder servicing agent and custodian, who each provide services to the fund. Unless expressly stated otherwise, shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the fund.

Under the fund’s Declaration of Trust, any claims asserted against or on behalf of the Putnam Funds, including claims against Trustees and Officers, must be brought in state and federal courts located within the Commonwealth of Massachusetts.

Note 1 — Significant accounting policies

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.

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.

Security valuation Portfolio securities and other investments are valued using policies and procedures adopted by the Board of Trustees. The Trustees have formed a Pricing Committee to oversee the implementation of these procedures and have delegated responsibility for valuing the fund’s assets in accordance with these procedures to Putnam Management. Putnam Management has established an internal Valuation Committee that is responsible for making fair value determinations, evaluating the effectiveness of the pricing policies of the fund and reporting to the Pricing Committee.

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 under Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* (ASC 820). If no sales are reported, as in the case of some securities that are traded OTC, a security is valued at its last reported bid price and is generally categorized as a Level 2 security.

Investments in open-end investment companies (excluding exchange-traded funds), if any, which can be classified as Level 1 or Level 2 securities, are valued based on their net asset value. The net asset value of such investment companies equals the total value of their assets less their liabilities and divided by the number of their outstanding shares.

Many securities markets and exchanges outside the U.S. close prior to the scheduled 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 scheduled close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value certain foreign equity securities taking into account multiple factors including movements in the U.S. securities markets, currency valuations and comparisons to the valuation of the American Depository Receipts, exchange-traded funds and futures contracts. The foreign equity securities, which would generally be classified as Level 1 securities, will be transferred to Level 2 of the fair value hierarchy when they are valued at fair value. 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. Short-term securities with remaining maturities of 60 days or less are valued using an independent pricing service approved by the Trustees, and are classified as Level 2 securities.

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 in accordance with policies and procedures approved by the Trustees. 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, recovery rates, sales and other multiples and resale restrictions. These securities are classified as Level 2 or as Level 3 depending on the priority of the significant inputs.

To assess the continuing appropriateness of fair valuations, the Valuation Committee reviews and affirms the reasonableness of such valuations on a regular basis after considering all relevant information that is reasonably available. 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.

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, net of any applicable withholding taxes, is recorded on the accrual basis. Dividend income, net of any 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 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.

Foreign currency translation The accounting records of the fund are maintained in U.S. dollars. The fair 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.

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 fair value of the contract will fluctuate with changes in currency exchange rates. The contract is marked to market daily and the change in fair value is recorded as an unrealized gain or loss. 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 when the contract matures or by delivery of the currency. 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.

Master agreements The fund is a party to ISDA (International Swaps and Derivatives Association, Inc.) Master Agreements (Master Agreements) with certain counterparties that govern OTC 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, is 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 \$322,398 on open derivative contracts subject to the Master Agreements. Collateral posted

by the fund at period end for these agreements totaled \$350,908 and may include amounts related to unsettled agreements.

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 fair value of the securities loaned. The fair value of securities loaned is determined daily and any additional required collateral is allocated to the fund on the next business day. The remaining maturities of the securities lending transactions are considered overnight and continuous. 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, net of expenses, 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 to Putnam Cash Collateral Pool, LLC. At the close of the reporting period, the fund received cash collateral of \$952,469 and the value of securities loaned amounted to \$927,957.

Interfund lending The fund, along with other Putnam funds, may participate in an interfund lending program pursuant to an exemptive order issued by 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.

Lines of credit The fund participates, along with other Putnam funds, in a \$317.5 million unsecured committed line of credit and a \$235.5 million unsecured uncommitted line of credit, both provided by 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 higher of (1) the Federal Funds rate and (2) the overnight LIBOR 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 0.04% of the committed line of credit plus a \$25,000 flat fee and 0.04% of the uncommitted line of credit has been paid by the participating funds. In addition, a commitment fee of 0.21% 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.

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.

The fund is subject to the provisions of Accounting Standards Codification 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 fund may also 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.

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.

These differences include temporary and/or permanent differences from losses on wash sale transactions, from foreign currency gains and losses and from nontaxable dividends. 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. At the close of the reporting period, the

fund reclassified \$191,310 to increase undistributed net investment income, and \$191,310 to decrease accumulated net realized gain.

The tax basis components of distributable earnings and the federal tax cost as of the close of the reporting period were as follows:

Unrealized appreciation	\$37,721,583
Unrealized depreciation	(6,599,392)
Net unrealized appreciation	31,122,191
Undistributed ordinary income	723,179
Undistributed long-term gain	12,258,661
Cost for federal income tax purposes:	\$108,211,694

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.

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 34.8% of the fund is owned by accounts of one insurance company.

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 all open-end mutual funds sponsored by Putnam Management (excluding net assets of funds that are invested in, or that are invested in by, other Putnam funds to the extent necessary to avoid "double counting" of those assets). 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 and
0.545%	of any excess thereafter.

For the reporting period, the management fee represented an effective rate (excluding the impact from any expense waivers in effect) of 0.627% of the fund's average net assets.

Putnam Management has contractually agreed, through April 30, 2018, 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, acquired fund fees and 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 Management may from time to time voluntarily undertake to waive fees and/or reimburse certain fund expenses. Any such waiver or reimbursement would be voluntary and may be modified or discontinued by Putnam Management at any time without notice. For the reporting period, Putnam Management voluntarily waived \$2,091.

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. Prior to April 1, 2016, Putnam Management paid a quarterly sub-management fee to PIL for its services at an annual rate of 0.175% 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. PAC did not manage any portion of the assets of the fund during the reporting period. If Putnam Management or PIL were to engage the services of PAC, Putnam Management or PIL, as applicable, would pay 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 0.07% of the fund's average daily net assets. During the reporting period, the expenses for each class of shares related to investor servicing fees were as follows:

Class IA	\$36,024
Class IB	76,457
Total	\$112,481

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 \$84 under the expense offset arrangements and by \$4,258 under the brokerage/service arrangements.

Each Independent Trustee of the fund receives an annual Trustee fee, of which \$120, 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, an indirect wholly-owned subsidiary of Putnam Investments, LLC, 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. The expenses related to distribution fees during the reporting period are included in Distribution fees in the Statement of operations.

Note 3 — Purchases and sales of securities

During the reporting period, the cost of purchases and the proceeds from sales, excluding short-term investments, were as follows:

	Cost of purchases	Proceeds from sales
Investments in securities (Long-term)	\$38,252,539	\$71,645,647
U.S. government securities (Long-term)	—	—
Total	\$38,252,539	\$71,645,647

The fund may purchase or sell investments from or to other Putnam funds in the ordinary course of business, which can reduce the fund's transaction costs, at prices determined in accordance with SEC requirements and policies approved by the Trustees. During the reporting period, purchases or sales of long-term securities from or to other Putnam funds, if any, did not represent more than 5% of the fund's total cost of purchases and/or total proceeds from sales.

Note 4 — Capital shares

At the close of the reporting period, there were 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			
	Year ended 12/31/16		Year ended 12/31/15		Year ended 12/31/16		Year ended 12/31/15	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Shares sold	88,450	\$1,559,863	316,034	\$6,746,676	375,086	\$6,268,781	1,487,717	\$30,887,297
Shares issued in connection with reinvestment of distributions	381,880	6,163,539	239,227	5,016,593	858,870	13,527,198	483,190	9,939,216
	470,330	7,723,402	555,261	11,763,269	1,233,956	19,795,979	1,970,907	40,826,513
Shares repurchased	(834,690)	(14,280,221)	(423,943)	(8,786,126)	(1,972,181)	(32,783,893)	(940,434)	(19,039,584)
Net increase (decrease)	(364,360)	\$(6,556,819)	131,318	\$2,977,143	(738,225)	\$(12,987,914)	1,030,473	\$21,786,929

Note 5 — Affiliated transactions

Transactions during the reporting period with any company which is under common ownership or control were as follows:

Name of affiliate	Fair value at the beginning of the reporting period	Purchase cost	Sale proceeds	Investment income	Fair value at the end of the reporting period
Putnam Cash Collateral Pool, LLC*	\$12,902,925	\$86,509,151	\$98,459,607	\$35,190	\$952,469
Putnam Short Term Investment Fund**	3,338,748	38,150,857	38,456,375	6,627	3,033,230
Totals	\$16,241,673	\$124,660,008	\$136,915,982	\$41,817	\$3,985,699

* No management fees are charged to Putnam Cash Collateral Pool, LLC (See Note 1).

** Management fees charged to Putnam Short Term Investment Fund have been waived by Putnam Management.

Note 6 — Market, credit and other risks

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. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations. The fund concentrates a majority of its investments in the health sector, which involves more risk than a fund that invests more broadly.

Note 7 — Summary of derivative activity

The volume of activity for the reporting period for any derivative type that was held during the period is listed below and was based on an average of the holdings at the end of each fiscal quarter:

Forward currency contracts (contract amount)	\$8,700,000
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The following is a summary of the fair value of derivative instruments as of the close of the reporting period:

Fair value 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	Fair value	Statement of assets and liabilities location	Fair value
Foreign exchange contracts	Receivables	\$—	Payables	\$322,398
Total		\$—		\$322,398

The following is a summary of realized and change in unrealized gains or losses of derivative instruments in 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	\$283,257	\$283,257
Total	\$283,257	\$283,257

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	\$(496,364)	\$(496,364)
Total	\$(496,364)	\$(496,364)

Note 8 — Offsetting of financial and derivative assets and liabilities

The following table summarizes any derivatives, repurchase agreements and reverse repurchase agreements, at the end of the reporting period, that are subject to an enforceable master netting agreement or similar agreement. For securities lending transactions or borrowing transactions associated with securities sold short, if any, see Note 1. For financial reporting purposes, the fund does not offset financial assets and financial liabilities that are subject to the master netting agreements in the Statement of assets and liabilities.

	Bank of America N.A.	Citibank, N.A.	Credit Suisse International	HSBC Bank USA, National Association	JPMorgan Chase Bank N.A.	Total
Assets:						
Forward currency contracts [#]	\$—	\$—	\$—	\$—	\$—	\$—
Total Assets	\$—	\$—	\$—	\$—	\$—	\$—
Liabilities:						
Forward currency contracts [#]	38,714	19,893	171,694	78,025	14,072	322,398
Total Liabilities	\$38,714	\$19,893	\$171,694	\$78,025	\$14,072	\$322,398
Total Financial and Derivative Net Assets	\$(38,714)	\$(19,893)	\$(171,694)	\$(78,025)	\$(14,072)	\$(322,398)
Total collateral received (pledged) ^{†##}	\$(38,714)	\$(19,893)	\$(109,989)	\$—	\$—	
Net amount	\$—	\$—	\$(61,705)	\$(78,025)	\$(14,072)	

[†] Additional collateral may be required from certain brokers based on individual agreements.

[#] Covered by master netting agreement (Note 1).

^{##} Any over-collateralization of total financial and derivative net assets is not shown. Collateral may include amounts related to unsettled agreements.

Note 9 — New pronouncements









In October 2016, the SEC adopted amendments to rules under the Investment Company Act of 1940 (“final rules”) intended to modernize the reporting and disclosure of information by registered investment companies. The final rules amend Regulation S-X and require funds to provide standardized, enhanced derivative disclosure in fund financial statements in a format designed for individual investors. The amendments to Regulation S-X also update the disclosures for other investments and investments in and advances to affiliates and amend the rules regarding the general form and content of fund financial statements. The compliance date for the amendments to Regulation S-X is August 1, 2017. Putnam Management is currently evaluating the amendments and their impact, if any, on the fund’s financial statements.




Federal tax information (Unaudited)

Pursuant to §852 of the Internal Revenue Code, as amended, the fund hereby designates \$13,910,789 as a capital gain dividend with respect to the taxable year ended December 31, 2016, or, if subsequently determined to be different, the net capital gain of such year.

The fund designated 86.15% of ordinary income distributions as qualifying for the dividends received deduction for corporations.

About the Trustees

Name	Year of birth	Position held	Principal occupations during past five years	Other directorships	
Independent Trustees					
Liaquat Ahamed	Born 1952	Trustee since 2012	Pulitzer Prize-winning author of <i>Lords of Finance: The Bankers Who Broke the World</i> , whose articles on economics have appeared in such publications as the <i>New York Times</i> , <i>Foreign Affairs</i> , and the <i>Financial Times</i> . Director of Aspen Insurance Co., a New York Stock Exchange company, and Chair of the Aspen Board's Investment Committee. Trustee of the Brookings Institution.	The Rohatyn Group, an emerging-market fund complex that manages money for institutions	
Ravi Akhoury	Born 1947	Trustee since 2009	Trustee of American India Foundation and of the Rubin Museum. From 1992 to 2007, was Chairman and CEO of MacKay Shields, a multi-product investment management firm.	RAGE Frameworks, Inc., a private software company; English Helper, Inc., a private software company	
Barbara M. Baumann	Born 1955	Trustee since 2010	President and Owner of Cross Creek Energy Corporation, a strategic consultant to domestic energy firms and direct investor in energy projects. Current Board member of The Denver Foundation. Former Chair and current Board member of Girls Incorporated of Metro Denver. Member of the Finance Committee, the Children's Hospital of Colorado.	Buckeye Partners, L.P., a publicly traded master limited partnership focused on pipeline transport, storage, and distribution of petroleum products; Devon Energy Corporation, a leading independent natural gas and oil exploration and production company	
Jameson A. Baxter	Born 1943	Trustee since 1994, Vice Chair from 2005 to 2011, and Chair since 2011	President of Baxter Associates, Inc., a private investment firm. Chair of Mutual Fund Directors Forum. 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.	None	
Robert J. Darretta	Born 1946	Trustee since 2007	From 2009 until 2012, served as Health Care Industry Advisor to Permira, a global private equity firm. Until April 2007, was Vice Chairman of the Board of Directors of Johnson & Johnson. Served as Johnson & Johnson's Chief Financial Officer for a decade.	UnitedHealth Group, a diversified health-care company	
Katinka Domotorffy	Born 1975	Trustee since 2012	Voting member of the Investment Committees of the Anne Ray Charitable Trust and Margaret A. Cargill Foundation, part of the Margaret A. Cargill Philanthropies. Until 2011, Partner, Chief Investment Officer, and Global Head of Quantitative Investment Strategies at Goldman Sachs Asset Management.	Reach Out and Read of Greater New York, an organization dedicated to promoting childhood literacy; Great Lakes Science Center; College Now Greater Cleveland	
John A. Hill	Born 1942	Trustee since 1985 and Chairman from 2000 to 2011	Founder and Vice-Chairman of First Reserve Corporation, the leading private equity buyout firm focused on the worldwide energy industry. Trustee and Chairman of the Board of Trustees of Sarah Lawrence College. Member of the Advisory Board of the Millstein Center for Global Markets and Corporate Ownership at The Columbia University Law School.	None	
Paul L. Joskow	Born 1947	Trustee since 1997	Economist and President of the Alfred P. Sloan Foundation, a philanthropic institution focused primarily on research and education on issues related to science, technology, and economic performance. Elizabeth and James Killian Professor of Economics, Emeritus at the Massachusetts Institute of Technology (MIT). Prior to 2007, served as the Director of the Center for Energy and Environmental Policy Research at MIT.	Yale University; Exelon Corporation, an energy company focused on power services; Boston Symphony Orchestra; Prior to April 2013, served as Director of TransCanada Corporation and TransCanada Pipelines Ltd., energy companies focused on natural gas transmission, oil pipelines and power services	
Kenneth R. Leibler	Born 1949	Trustee since 2006 and Vice Chair since 2016	Founder and former Chairman of Boston Options Exchange, an electronic marketplace for the trading of derivative securities. Vice Chairman Emeritus of the Board of Trustees of Beth Israel Deaconess Hospital in Boston, Massachusetts. Director of Beth Israel Deaconess Care Organization. Until November 2010, director of Ruder Finn Group, a global communications and advertising firm.	Eversource Corporation, which operates New England's largest energy delivery system	

Name Year of birth Position held	Principal occupations during past five years	Other directorships	
Robert E. Patterson Born 1945 Trustee since 1984	Co-Chairman of Cabot Properties, Inc., a private equity firm investing in commercial real estate, and Chairman or Co-Chairman of the Investment Committees for various Cabot Funds. Past Chairman and Trustee of the Joslin Diabetes Center.	None	
George Putnam, III Born 1951 Trustee since 1984	Chairman of New Generation Research, Inc., a publisher of financial advisory and other research services. Founder and President of New Generation Advisors, LLC, a registered investment advisor to private funds. Director of The Boston Family Office, LLC, a registered investment advisor.	None	
W. Thomas Stephens Born 1942 Trustee from 1997 to 2008 and since 2009	Retired as Chairman and Chief Executive Officer of Boise Cascade, LLC, a paper, forest products, and timberland assets company, in December 2008. Prior to 2010, Director of Boise Inc., a manufacturer of paper and packaging products.	Prior to April 2014, served as Director of TransCanada Pipelines Ltd., an energy infrastructure company	

Interested Trustee

Robert L. Reynolds* Born 1952 Trustee since 2008 and President of the Putnam Funds since 2009	President and Chief Executive Officer of Putnam Investments since 2008 and, since 2014, President and Chief Executive Officer of Great-West Financial, a financial services company that provides retirement savings plans, life insurance, and annuity and executive benefits products, and of Great-West Lifeco U.S. Inc., a holding company that owns Putnam Investments and Great-West Financial. Prior to joining Putnam Investments, served as Vice Chairman and Chief Operating Officer of Fidelity Investments from 2000 to 2007.	None	
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*Mr. Reynolds is an "interested person" (as defined in the Investment Company Act of 1940) of the fund and Putnam Investments. He is President and Chief Executive Officer of Putnam Investments, as well as the President of your fund and each of the other Putnam funds.

The address of each Trustee is One Post Office Square, Boston, MA 02109.

As of December 31, 2016, there were 114 Putnam funds. All Trustees serve as Trustees of all Putnam funds.

Each Trustee serves for an indefinite term, until his or her resignation, retirement at age 75, removal, or death.

Officers

In addition to Robert L. Reynolds, the other officers of the fund are shown below:

Jonathan S. Horwitz (Born 1955)
Executive Vice President, Principal Executive Officer, and Compliance Liaison
Since 2004

Robert T. Burns (Born 1961)
Vice President and Chief Legal Officer
Since 2011
General Counsel, Putnam Investments, Putnam Management, and Putnam Retail Management

James F. Clark (Born 1974)
Vice President and Chief Compliance Officer
Since 2016
Chief Compliance Officer, Putnam Investments and Putnam Management

Michael J. Higgins (Born 1976)
Vice President, Treasurer, and Clerk
Since 2010

Janet C. Smith (Born 1965)
Vice President, Principal Financial Officer, Principal Accounting Officer, and Assistant Treasurer
Since 2007
Director of Fund Administration Services, Putnam Investments and Putnam Management

Susan G. Malloy (Born 1957)
Vice President and Assistant Treasurer
Since 2007
Director of Accounting & Control Services, Putnam Investments and Putnam Management

Mark C. Trenchard (Born 1962)
Vice President and BSA Compliance Officer
Since 2002

Director of Operational Compliance, Putnam Investments and Putnam Retail Management

Nancy E. Florek (Born 1957)
Vice President, Director of Proxy Voting and Corporate Governance, Assistant Clerk, and Associate Treasurer
Since 2000

The principal occupations of the officers for the past five years have been with the employers as shown above, although in some cases they have held different positions with such employers. The address of each officer is One Post Office Square, Boston, MA 02109.

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, 2016, are available in the Individual Investors section of putnam.com and on the Securities and Exchange Commission's [SEC] 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 Form N-Q on the SEC's website at www.sec.gov. In addition, the fund's Form 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-Advisors

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

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

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

Trustees

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

The fund's Statement of Additional Information contains additional information about the fund's Trustees and is available without charge upon request by calling 1-800-225-1581.